



**DRAFT ANNUAL FINANCIAL STATEMENTS FOR
THE PERIOD ENDED 30 JUNE 2014**

NALEDI LOCAL MUNICIPALITY CONTACT INFORMATION

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NALEDI LOCAL MUNICIPALITY GENERAL INFORMATION

Members of the Council

Cllr. S.T. Modise	Mayor
Cllr. N.G. Mathiba	Speaker
Cllr. C.J. Groep	Member of the Executive Committee
Cllr. E.K. Moroka	Member of the Executive Committee
Cllr. H.L. Pretorius	Member of the Executive Committee
Cllr. K.K. Kgajane	Chairperson of Municipal Public Accounts Committee
Cllr. J.A. Adonis	Member
Cllr. O.K. Bareki	Member
Cllr. A.N. Bareng	Member
Cllr. G.A. Coetzee	Member
Cllr. B.M. Kegakilwe	Member
Cllr. S.B. Kgodumo	Member
Cllr. A. Lekgetho	Member
Cllr. D.P. Matobo	Member
Cllr. M.J. Nchochoba	Member
Cllr. E.G. Ramorogadi	Member
Cllr. E.P. Renoster	Member
Cllr. N.R. Thekiso	Member

Municipal Manager

Mr. M.T. Segapo

Chief Financial Officer

Mr. D.M. Thornhill

Grading of Local Authority

Grade 3 (NW392)

Auditors

Auditor General of South Africa

Bankers

First National Bank

Registered Office and Physical Address

Civic Centre
19A Market Street
Vryburg
8601

Jurisdiction

Dr Ruth S Mompoti District / Naledi Local Municipality
Boundaries as determined by the Municipal Demarcation Board

Domicil

Naledi Local Municipality

Postal Address

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Vryburg
8600

Telephone Number

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Fax Number

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NALEDI LOCAL MUNICIPALITY

ACCOUNTING OFFICERS RESPONSIBILITIES AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The external auditors will form an opinion on whether the financial statements are prepared, in all material aspects, in accordance with the reporting framework and will be given unrestricted access to all financial records and related data.

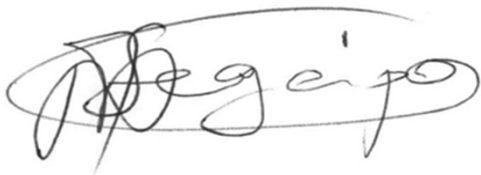
The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The management financial statements, which are prepared on the going concern basis as set out on pages 1 to 75 have been signed by myself on behalf of the Municipality on 29 August 2014.



M.T. SEGAPO
MUNICIPAL MANAGER
29 August 2014

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NALEDI LOCAL MUNICIPALITY

REPORT OF THE CHIEF FINANCIAL OFFICER FOR THE YEAR ENDED 30 JUNE 2014

1. INTRODUCTION

These management financial statements are prepared in terms of the Section 122 of the MFMA and presents a report on the status of this municipality's performance against its budget, the management of its revenue, expenditure, assets and liabilities, its operational activities, financial results and the municipal financial position as at 30 June 2014.

2. BASIS OF ACCOUNTING

These Management Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance as detailed in the Significant Accounting Policies section.

3. REVIEW OF OPERATING RESULTS

3.1 General

Details of the operating results per vote and classification of revenue and expenditure are included in Appendices D and E. The overall operating results for the year ended, 30 June 2014 are as follows:

	Actual 2013 R	Actual 2014 R	Variance 2013 / 2014 %	Budget 2014 R	Variance Actual / Budget %
Revenue	259 546 665	271 419 678	5%	310 546 587	-13%
Expenditure	-348 567 966	-351 131 122	-1%	-347 007 891	-1%
Other	4 029 661	-3 374 044	184%	-	0%
Nett surplus / (deficit) for the year	-84 991 640	-83 085 488	2%	-36 461 303	-128%

For explanations of significant variances refer **Appendix E (1)**.

3.2 Revenue

The detail breakdown of operating revenue is as follows for the year ended 30 June 2014:

	Actual 2013 R	Actual 2014 R	Variance 2013 / 2014 %	Budget 2014 R	Variance Actual / Budget %
Property Rates	27 872 109	29 586 970	6%	32 277 843	-8%
Property rates - penalties imposed and collection charges	-	-	0%	-	0%
Service Charges	127 324 183	133 694 086	5%	146 753 694	-9%
Rental of facilities and equipment	1 064 888	1 213 639	14%	1 054 900	15%
Interest earned - external investments	593 214	574 971	-3%	500 000	15%
Interest earned - outstanding receivables	9 998 471	12 927 005	29%	15 000 000	-14%
Fines	402 653	412 387	2%	350 250	18%
Licences and Permits	5 478 404	6 276 445	15%	5 690 000	10%
Government grants and subsidies	82 403 067	81 019 027	-2%	106 508 000	-24%
Other income	4 409 675	5 715 149	30%	2 411 900	137%
Total revenue	259 546 665	271 419 678	5%	310 546 587	-13%

For explanations of significant variances refer **Appendix E (1)**.

NALEDI LOCAL MUNICIPALITY

REPORT OF THE CHIEF FINANCIAL OFFICER FOR THE YEAR ENDED 30 JUNE 2014

3.3 Expenditure

The detail breakdown of operating expenditure is as follows for the year ended 30 June 2014:

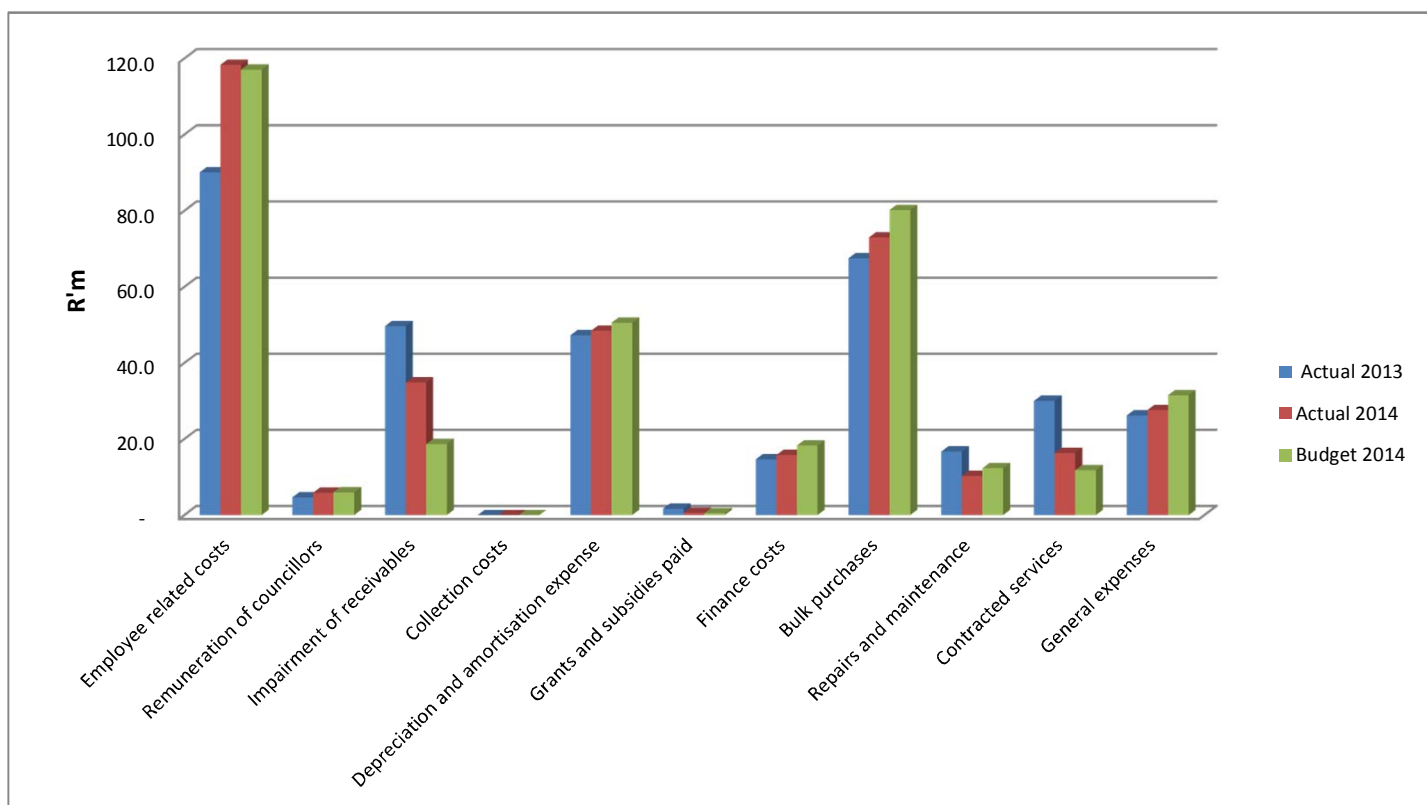
	Actual 2013 R	Actual 2014 R	Variance 2013 / 2014 %	Budget 2014 R	Variance Actual / Budget %
Employee related costs	90 124 574	118 341 874	31%	117 044 584	-1%
Remuneration of councillors	4 681 514	5 856 071	25%	6 018 574	3%
Impairment of receivables	49 704 596	34 873 869	-30%	18 682 307	-87%
Collection costs	-	-	0%	-	0%
Depreciation and amortisation expense	47 278 704	48 458 600	2%	50 600 000	4%
Grants and subsidies paid	1 687 986	598 880	-65%	506 500	-18%
Finance costs	14 639 937	15 779 553	8%	18 287 357	14%
Bulk purchases	67 492 788	72 981 871	8%	80 200 000	9%
Repairs and maintenance	16 699 200	10 263 997	-39%	12 317 159	17%
Contracted services	30 035 089	16 342 661	-46%	11 818 631	-38%
General expenses	26 223 577	27 633 746	5%	31 532 778	12%
Total expenditure	348 567 966	351 131 122	1%	347 007 891	-1%

For explanations of significant variances refer **Appendix E (1)**.

3.4 Budget

The total operating budget performance is summarized as follows for the year ended 30 June 2014:

	Actual 2014 R	Budget 2014 R	Balance remaining on budget	
			R	%
Actual operating expenditure to date	351 131 122	347 007 891	-4 123 231	-1%



NALEDI LOCAL MUNICIPALITY
REPORT OF THE CHIEF FINANCIAL OFFICER FOR THE YEAR ENDED 30 JUNE 2014

4. CONDITIONAL GRANTS

The detailed conditional grants summary is as follows for the year ended 30 June 2014.

	Unspent grant opening balance R	Current year receipts R	Conditions met R	Net balance claimed against debtor R	Unspent grant closing balance R
Municipal Infrastructure Grant	-	22 675 000	-11 531 761	-296 657	10 846 582
Dr Ruth S Mompati DM Grant	3 700 000	17 269 355	-18 473 955	-	2 495 400
INEP Grant	2 276	18 871 700	-13 012 853	-	5 861 123
Finance Management Grant	-	1 550 000	-1 550 000	-	-
Dep of Sports, Arts and Culture Grant	214 054	530 000	-246 804	-	497 250
Municipal Systems Improvement Grant	-	890 000	-890 000	-	-
Expanded Public Works Programme Grant	-	1 000 000	-1 000 000	-	-
LG Seta Grant	-	-	-	-	-
Total	3 916 330	62 786 055	-46 705 372	-296 657	19 700 355

6. CONCLUSION

I would like to extend my appreciation to the Mayor, The Chairperson of the Finance Portfolio Committee, other Councillors, Municipal Manager, Management, finance officials, all staff members and all other role players for their support, assistance and participation in getting the job done in the 2013/14 financial year.



D.M. THORNHILL
CHIEF FINANCIAL OFFICER
29 August 2014

NALEDI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	2014 R	2013 R
ASSETS			
Current assets		59 998 509	49 594 518
Cash and cash equivalents	1	1 459 026	6 079 010
Trade and other receivables from exchange transactions	2	31 755 950	25 762 258
Other receivables from non-exchange transactions	3	4 274 234	3 276 422
Inventories	4	2 261 572	2 462 633
VAT receivable	5	20 247 728	12 014 194
Non-current assets		975 640 958	981 579 303
Property, plant and equipment	6	974 921 672	980 860 018
Heritage assets	7	719 286	719 286
Biological assets	8	-	-
Total assets		1 035 639 467	1 031 173 821
LIABILITIES			
Current liabilities		305 045 035	227 580 193
Trade and other payables from exchange transactions	9	240 876 669	179 185 110
Consumer deposits	10	3 880 049	3 578 676
Current provisions	11	8 816 872	10 034 825
Current portion of unspent conditional grants and receipts	12	19 700 355	3 916 330
Current portion of borrowings	13	31 379 753	30 568 673
Current portion of finance lease liability	48	391 336	296 579
Non-current liabilities		112 535 784	103 760 258
Non-current provisions	14	112 233 563	103 236 149
Non-current borrowings	13	-	-
Non-current finance lease liabilities	48	302 221	524 110
Total liabilities		417 580 819	331 340 451
Net assets		618 058 648	699 833 370
NETT ASSETS			
Reserves	47	2 797 286	1 847 484
Accumulated surplus / (deficit)		615 261 363	697 985 886
Total net assets		618 058 648	699 833 370

NALEDI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 R	2013 R
REVENUE			
Property Rates	15	29 586 970	27 872 109
Property rates - penalties imposed and collection charges	15	-	-
Service Charges	16	133 694 086	127 324 183
Rental of facilities and equipment	17	1 213 639	1 064 888
Interest earned - external investments	18	574 971	593 214
Interest earned - outstanding receivables	18	12 927 005	9 998 471
Fines		412 387	402 653
Licences and Permits		6 276 445	5 478 404
Government grants and subsidies	19	81 019 027	82 403 067
Other income	20	5 715 149	4 409 675
Total revenue		271 419 678	259 546 665
EXPENSES			
Employee related costs	21	118 341 874	90 124 574
Remuneration of councillors	22	5 856 071	4 681 514
Impairment of receivables	23	34 873 869	49 704 596
Collection costs		-	-
Depreciation and amortisation expense	25	48 458 600	47 278 704
Grants and subsidies paid	24	598 880	1 687 986
Finance costs	26	15 779 553	14 639 937
Bulk purchases	27	72 981 871	67 492 788
Repairs and maintenance		10 263 997	16 699 200
Contracted services	28	16 342 661	30 035 089
General expenses	29	27 633 746	26 223 577
Total expenses		351 131 122	348 567 966
Gain / (loss) on disposal of property, plant and equipment	30	-1 696 264	-930 337
Gain / (loss) on natural movement of game / animals		-179 900	1 035 800
Gain / (loss) on disposal of Biological Assets		-	-
Gain / (loss) on borrowings redeemed		-	-
Gain / (loss) on actuarial valuation		-1 497 880	3 924 198
Gain / (loss) on fair value adjustment		-	-
SURPLUS / (DEFICIT) FOR THE YEAR		-83 085 488	-84 991 640

NALEDI LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Note	Revaluation reserve R	Accumulated surplus / (deficit) R	Total Net assets R
2013				
Balance at 1 July 2012		1 225 448	772 685 475	773 910 923
Prior period error	33	-	10 086 256	10 086 256
Restated balance		1 225 448	782 771 732	783 997 180
Surplus / (deficit) for the year		-	-84 991 640	-84 991 640
PPE revalued		827 830	-	827 830
Capital grants used to purchase PPE		-	-	-
Offsetting of depreciation		-205 794	-	-205 794
Realisation of revaluation reserve		-	205 794	205 794
Balance at 30 June 2013		1 847 484	697 985 886	699 833 370
2014				
Changes in accounting policy	33	-	-	-
Restated balance		1 847 484	697 985 886	699 833 370
Surplus / (deficit) for the year		-	-83 085 488	-83 085 488
PPE revalued		1 310 766	-	1 310 766
Capital grants used to purchase PPE		-	-	-
Offsetting of depreciation		-360 965	-	-360 965
Realisation of revaluation reserve		-	360 965	360 965
Balance at 30 June 2014		2 797 286	615 261 363	618 058 649

NALEDI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 R	2013 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		244 356 980	238 240 543
Cash paid to suppliers and employees		-210 236 333	-214 513 803
Cash generated from / (utilised in) operations	31	34 120 647	23 726 740
Interest received		13 501 975	10 591 685
Interest paid		-14 968 473	-12 962 088
NET CASH FROM OPERATING ACTIVITIES		32 654 149	21 356 338
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-39 023 334	-26 196 487
Proceeds on disposal of property, plant and equipment		1 749 200	1 640 886
Proceeds from sale of biological assets		-	-
(Increase) / decrease in non-current receivables		-	-
NET CASH FROM INVESTING ACTIVITIES		-37 274 134	-24 555 601
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised / (repaid)		-	-
Repayment of finance lease liability		-	-
Decrease / (increase) in short-term loans		-	-
NET CASH FLOW FROM FINANCING ACTIVITIES		-	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		-4 619 984	-3 199 264
Cash and cash equivalents at the beginning of the year		6 079 010	9 278 274
Cash and cash equivalents at the end of the year	32	1 459 026	6 079 010

NALEDI LOCAL MUNICIPALITY

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. BASIS OF ACCOUNTING

1.1 Basis of presentation

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 Going concern assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Comparative information

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. The nature of the impending changes in accounting policy and the impact on the Municipality's financial statements once implemented are as follows:

GRAP Standard	Effective date as determined by the Minister of Finance	Possible impact on the financial statements on initial application
GRAP 18 - Segment Reporting	Unknown	Disclosure and presentation of specific and detailed information about the major activities (service and geographical) undertaken by the municipality, along with the resources allocated to these activities
GRAP 20 - Related Party Disclosures	Unknown	Full disclosure of nature and effect all related party transactions of management, their close members of family
GRAP 105 - Transfer of functions between entities under common control	Unknown	Disclosure and presentation of each transaction that relates to a transfer of functions between two entities within the same sphere of government
GRAP 106 - Transfer of functions between entities not under common control	Unknown	Disclosure and presentation of each transaction that relates to a transfer of functions between two entities not within the same sphere of government
GRAP 107 - Mergers	Unknown	Full disclosure of the nature and effect of the two entities that are now combined through a merger

NALEDI LOCAL MUNICIPALITY

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. PROPERTY, PLANT AND EQUIPMENT

2.1 Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 Subsequent measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<u>PPE category</u>	<u>Years</u>
Infrastructure	
Roads and Lights	10-40
Water Pipelines	25-50
Water Pumps, Purification and Reservoirs	30-55
Sewerage	25-30
Landfill Site Perimeter Protection and structures	10-55
Community	
Buildings	30
Recreational Facilities	30
Cemeteries	30
Halls	30
Libraries	30
Civic Buildings	30
Other assets	15-30

NALEDI LOCAL MUNICIPALITY

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Other

Buildings	30
Office equipment	7
Furniture and fittings	7
Emergency equipment	10
Computer equipment	5
Machinery and Equipment	10-15
Official Vehicles	7
Other assets	4-15
Game / Animals	4-21

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.4 Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

2.5 Game / Animals

Game animals are held in the nature reserve and are due to their inherent nature disclosed at fair value utilising the revaluation model and accounted for as a separate class of asset. An annual count, assessment of the remaining useful life and valuation based on market values are performed.

Subsequent to recognition, Game / Animals are measured using the revaluation amount less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. The revaluation amount is the fair value at the date of the revaluation.

Accumulated depreciation is accounted for using the elimination method. Any difference between the carrying amounts and the revaluation amounts is recognised in the revaluation surplus. In the case of a reversal of an increase in excess of the increase previously recognised in the revaluation surplus, or a reversal of a decrease previously recognised in surplus or deficit, it will be recognised in surplus or deficit.

The revaluation surplus relating to the assets will be realised over time by transferring the surplus to accumulated surplus or deficit by way of the use of the asset.

For depreciation rates on Game / animals, refer to the table as per accounting policy no 2.3 above.

3. INTANGIBLE ASSETS

3.1 Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

NALEDI LOCAL MUNICIPALITY

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

3.2 Subsequent measurement

The cost model has been chosen for intangible assets.

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4. INVESTMENT PROPERTY

4.1 Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

4.2 Subsequent measurement

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

5. NON-CURRENT ASSETS HELD FOR SALE

5.1 Initial recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

5.2 Subsequent measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

NALEDI LOCAL MUNICIPALITY

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6. INVENTORIES

6.1 Initial recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

6.2 Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

7. FINANCIAL INSTRUMENTS

7.1 Initial recognition

Financial instruments are initially recognized at fair value.

7.2 Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

7.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

NALEDI LOCAL MUNICIPALITY

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

7.2.2 Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

7.2.3 Trade payables and borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

7.2.4 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

8. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

11. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

12. LEASES

12.1 Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

12.2 Municipality as lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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30 JUNE 2014

13. REVENUE

13.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

13.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

13.3 Grants, transfers and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when received.

14. EXPENDITURE

Expenditure is recognised once there is a decrease in economic benefits or service potential during the financial period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets.

15. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

16. RETIREMENT BENEFITS

Defined contribution plan

The municipality provides retirement benefits for its employees and councillors. Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entailing them to the contributions.

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SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2014

17. IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

18. HERITAGE ASSETS

18.1 Initial recognition

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset recognised is initially measured at its cost. The cost of a purchased heritage asset comprises of its purchase price, including any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Where a heritage asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

18.2 Subsequent measurement - Cost model

After recognition as an asset, a class of heritage assets shall be carried at its cost less any accumulated impairment losses.

18.3 Depreciation and impairment

Heritage assets are not depreciated.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of the heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

18.4 Derecognition

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of the heritage asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

NALEDI LOCAL MUNICIPALITY

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

19. CAPITAL COMMITMENTS

Capital Commitments disclosed are the estimated amounts of capital contracts remaining to be executed after year-end.

20. VALUE ADDED TAXATION (VAT)

The municipality accounts for value added taxation on the accrual basis.

21. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

21.1 Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding

requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

21.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

22. REVALUATION RESERVE

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17. All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance. All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
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1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash on hand	13 494	11 300
Cash at bank	1 309 499	5 939 902
Call deposits	136 033	127 808
	1 459 026	6 079 010

Refer to note 36.8 for a detail breakdown of call deposits.

The municipality has the following bank accounts:

Current account (Primary bank account)

FNB - Vryburg branch - Account number : 54160030382

Cash book balance at beginning of year	4 829 774	3 554 325
Cash book balance at end of year	537 626	4 829 774
Bank statement balance at beginning of year	4 832 774	3 554 325
Bank statement balance at end of year	537 626	4 832 774

Current account (Other account)

ABSA - Vryburg branch - Account number : 4070282707

Cash book balance at beginning of year	1 110 128	2 419 899
Cash book balance at end of year	771 873	1 110 128
Bank statement balance at beginning of year	1 110 128	2 949 099
Bank statement balance at end of year	771 873	1 110 128

On 1 March 2013, the municipality changed it's Primary bank account from ABSA account no 4070282707 to FNB account no 54160030382.

<u>Cash on hand</u>	13 494	11 300
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2. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
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Service Receivables

As at 30 June 2014

Rates and Taxes	46 854 331	-33 542 108	13 312 223
Rates and Taxes Installments to be Billed	-		-
Electricity	46 044 221	-31 883 017	14 161 204
Water	71 598 272	-69 480 087	2 118 184
Sewerage and Sanitation	25 705 966	-24 042 443	1 663 523
Refuse	29 007 965	-27 483 639	1 524 326
Other Charges	10 023 719	-9 870 937	152 781
Total	228 058 182	-196 302 232	31 755 950

As at 30 June 2013

Rates and Taxes	36 679 788	-33 124 651	3 555 137
Electricity	46 854 828	-30 172 881	16 681 947
Water	58 168 811	-55 905 964	2 262 847
Sewerage and Sanitation	24 084 270	-22 435 532	1 648 738
Refuse	26 328 332	-24 893 607	1 434 725
Other Charges	8 076 796	-7 897 932	178 864
Total	200 192 825	-174 430 567	25 762 258

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R	
	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
Rates and Taxes			
As at 30 June 2014			
Installments not yet billed	-	-	-
Current (0 - 30 days)	2 189 053	-861 140	1 327 913
31 - 60 days	1 415 932	-792 491	623 441
61 - 90 days	1 314 648	-776 782	537 867
+91 days	41 934 698	-31 111 696	10 823 002
Total	46 854 331	-33 542 108	13 312 223
Electricity			
As at 30 June 2014			
Current (0 - 30 days)	7 116 561	-1 545 794	5 570 767
31 - 60 days	3 376 602	-1 427 825	1 948 777
61 - 90 days	1 716 692	-747 554	969 138
+91 days	33 834 366	-28 161 844	5 672 522
Total	46 044 221	-31 883 017	14 161 204
Water			
As at 30 June 2014			
Current (0 - 30 days)	984 245	-310 366	673 879
31 - 60 days	600 206	-362 144	238 062
61 - 90 days	487 739	-351 299	136 440
+91 days	69 526 082	-68 456 279	1 069 803
Total	71 598 272	-69 480 087	2 118 184
Sewerage and Sanitation			
As at 30 June 2014			
Current (0 - 30 days)	1 049 286	-449 051	600 235
31 - 60 days	667 269	-444 317	222 952
61 - 90 days	549 039	-422 031	127 008
+91 days	23 440 372	-22 727 043	713 328
Total	25 705 966	-24 042 443	1 663 523
Refuse			
As at 30 June 2014			
Current (0 - 30 days)	1 073 777	-494 284	579 493
31 - 60 days	679 349	-497 808	181 541
61 - 90 days	582 104	-470 908	111 196
+91 days	26 672 734	-26 020 638	652 096
Total	29 007 965	-27 483 639	1 524 326
Other Charges			
As at 30 June 2014			
Current (0 - 30 days)	690 980	-629 272	61 709
31 - 60 days	112 937	-100 955	11 983
61 - 90 days	73 826	-67 579	6 247
+91 days	9 145 975	-9 073 132	72 843
Total	10 023 719	-9 870 937	152 781

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<u>Summary of debtors by Customer Classification</u>		
<u>Consumers</u>		
Installments not yet billed	-	-
Current (0 - 30 days)	11 740 395	14 830 127
31 - 60 days	5 287 292	8 432 903
61 - 90 days	3 052 018	5 080 389
+91 days	185 496 502	158 359 482
Sub Total	205 576 207	186 702 901
Less: Provision for doubtful debts	-185 815 005	-165 455 024
Total debtors by customer classification	19 761 202	21 247 877
<u>Government departments</u>		
Installments not yet billed	-	-
Current (0 - 30 days)	1 363 508	1 440 627
31 - 60 days	1 565 003	889 312
61 - 90 days	1 672 031	1 491 090
+91 days	19 057 724	9 668 895
Sub Total	23 658 266	13 489 924
Less: Provision for doubtful debts	-10 487 227	-8 975 544
Total debtors by customer classification	13 171 039	4 514 380
<u>Reconciliation of impairment of receivables provision</u>		
Balance at beginning of the year	174 430 569	155 720 825
Contribution to provision	34 873 819	51 299 927
Impairment of receivables written off against provision	-13 002 156	-32 590 183
Reversal of provision	-	-
Balance at end of year	196 302 232	174 430 569
3. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Other debtors	4 131 495	3 062 837
Prepayments	142 739	213 585
Total	4 274 234	3 276 422
4. INVENTORY		
Opening balance of inventories:	1 957 646	2 052 333
Consumables stores - at cost	120 536	199 418
Maintenance materials – at cost	1 779 138	1 779 138
Water	57 972	73 777
Additions:	9 110 705	10 172 573
Consumables stores - at cost	-	1 630 843
Maintenance materials – at cost	-	632 140
Water	9 110 705	7 909 590
Less: Issued (expensed):	9 105 429	9 762 273
Consumables stores - at cost	-	1 709 725
Maintenance materials – at cost	-	127 153
Water	9 105 429	7 925 395
Closing balance of inventories:	2 261 572	2 462 633
Consumables stores - at cost	163 749	120 536
Maintenance materials – at cost	2 034 575	2 284 125
Water	63 248	57 972

The First-in-First-out (FIFO) costing method is applied on inventories. The same method is used as the inventories have a similar nature and use to the entity. Inventory is measured at the lower of cost and net realisable value.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
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5. VAT RECEIVABLE

VAT receivable	20 247 728	12 014 194
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

6. PROPERTY, PLANT AND EQUIPMENT

Refer **note 51** for reconciliation of carrying value.

6.1 Assessed residual value

In terms of GRAP 17 management assessed the residual value and useful life of all property, plant and equipment. For the period under review the residual values of all property, plant and equipment (except for official vehicles and machinery and equipment) were assessed at zero, as the economic life of these assets are greater than the useful life.

6.2 Methods and assumptions used in determining the fair value

Game / animals

The fair value assessment was determined by SA Auctioneers, an independent expert / valuer on the market values of game, taking into account the relevant market values of the respective breeding / family groups. The effective date of the valuation was 30 June 2014. SA Auctioneers are independent and are not connected to the municipality or any of its councillors or officials.

Game / animals are re-valued independently every year.

Land and buildings were revalued to fair value by using market values. Market values were determined utilising recent market transactions on arm's length terms.

7. HERITAGE ASSETS

7.1 Reconciliation of carrying value

Cost / Valuation	719 286	719 286
Acquisitions	-	-
Decrease due to sales	-	-
Gains / losses from change in fair value	-	-
Other movements	-	-
	719 286	719 286

8. BIOLOGICAL ASSETS

8.1 Reconciliation of carrying value

Cost / Valuation	-	-
Acquisitions	-	-
Decrease due to sales	-	-
Gains / losses from change in fair value	-	-
Other movements	-	-
	-	-

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
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9. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	205 655 323	150 467 444
Payments received in advance	173 616	-
Retentions	2 799 786	1 777 943
Staff leave accrual	4 952 731	3 815 999
Bonus accrual	2 423 448	2 058 055
Other creditors	24 871 765	21 065 670
Total creditors	240 876 669	179 185 110

The movement in staff leave accrual above are reconciled as follows:

Balance at beginning of year	3 815 999	5 707 972
Contribution to provision	1 414 105	-1 524 990
Expenditure incurred	-277 373	-366 983
Balance at end of year	4 952 731	3 815 999

The movement in bonus accrual above are reconciled as follows:

Balance at beginning of year	2 058 055	2 296 405
Contribution to provision	5 500 829	3 786 001
Expenditure incurred	-5 135 436	-4 024 351
Balance at end of year	2 423 448	2 058 055

The fair value of trade and other payables approximates their carrying amounts.

10. CONSUMER DEPOSITS

Water and Electricity	3 880 049	3 578 676
Total consumer deposits	3 880 049	3 578 676

11. CURRENT PROVISIONS

Current portion of long-service awards	831 467	722 924
Current portion of continued medical aid	1 030 150	1 000 695
Rehabilitation of landfill sites	6 934 157	8 290 108
Litigations	21 098	21 098
Total current provisions	8 816 872	10 034 825

Refer to **note 14** for non-current portion and key assumptions on long-service awards.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
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12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

12.1 Conditional grants from other spheres of government

Municipal Infrastructure Grant	19.2	10 846 582	-
Dr Ruth S Mompoti District Municipality Grant	19.3	2 495 400	3 700 000
INEP Grant	19.4	5 861 123	2 276
Finance Management Grant	19.5	-	-
Department of Sports, Arts and Culture Grant	19.6	497 250	214 054
Municipal Systems Improvement Grant	19.7	-	-
Expanded Public Works Programme Grant	19.8	-	-
LG Seta Grant	19.9	-	-
Total unspent conditional grants and receipts		19 700 355	3 916 330
Non-current unspent conditional grants and receipts		-	-
Current portion of unspent conditional grants and receipts		19 700 355	3 916 330

See **Note 19** for reconciliation of grants and receipts. These amounts are invested in ring-fenced investments until utilised.

13. BORROWINGS

DBSA Loans	31 379 753	30 568 673
Sub-total	31 379 753	30 568 673
Less: Current portion transferred to current liabilities	-31 379 753	-30 568 673
DBSA Loans	31 379 753	30 568 673
Total Non-Current Borrowings	-	-

Refer to **Appendix A** for more detail on borrowings.

Refer **Note 52** for detail regarding DBSA Loans in default.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
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14. NON-CURRENT PROVISIONS

Long-service awards	7 111 067	6 558 993
Continued medical aid	36 358 121	32 850 110
Rehabilitation of landfill sites	5 137 329	-
Litigations	63 627 046	63 827 046
Total non-current provisions	112 233 563	103 236 149

The movement in non-current provisions are reconciled as follows:

14.1 Long-service awards

Balance at beginning of year	7 281 917	5 795 997
Contributions to provision	1 376 105	1 091 797
Increase / (decrease) in provision due to actuarial valuation	65 419	979 403
Expenditure incurred	-780 907	-585 280
	7 942 534	7 281 917
Transfer to current provision	-831 467	-722 924
Balance at end of year	7 111 067	6 558 993

14.1.1 Members information

The long service award is a defined benefit plan of which the following employees are eligible:

In-service (employee) members	480	485
Total Members	480	485

The liability in respect of past service has been estimated to be as follows:

In-service members	7 942 534	7 281 917
Total Liability	7 942 534	7 281 917

14.1.2 Actuarial adjustments were calculated as follows

Change in basis	461 942	218 008
Experience	-396 523	761 395
Actuarial (Gain) / Loss	65 419	979 403

14.1.3 Future service and interest cost estimation

The Future-service Cost for the next year is estimated to be R898,797 whereas the Interest Cost for the next year is estimated to be R637,854.

14.1.4 Key Actuarial Assumptions used

Interest Rate

Discount rate	8.46%	7.69%
General Inflation	6.24%	5.80%
Salary Inflation	7.24%	6.80%
Real Rate (GAP)	1.14%	0.84%

Mortality Rates

Pre-retirement mortality as per SA85-90 (light) table, rated down by 3 years for Female members.

Normal Retirement age

Normal retirement age is 65. It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
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14.1.5 Sensitivity Analysis

	Liability	Cost (Saving)	% Change
Real Rate of Return			
Current Assumption (1.14%)	7 942 534		
-0.5% (0.64%)	8 235 535	293 001	4%
+0.5% (1.64%)	7 666 705	-275 829	-3%
Retirement			
Current Assumption (Retire 63 years)	7 942 534		
Retire at 60	6 638 832	-1 303 702	-16%
Retire at 65	8 806 571	864 037	11%

14.1.6 Reconciliation of present value of fund obligation

Balance at beginning of year	7 281 917	5 795 997
Current Service Cost	843 377	620 906
Interest Cost	532 728	470 891
Actuarial (Gain)/Loss	65 419	979 403
Liability settlements	-780 907	-585 280
Balance at end of year	7 942 534	7 281 917

14.2 Continued medical aid

Balance at beginning of year	33 850 805	32 539 334
Contributions to provision	4 938 737	4 433 456
Increase / (decrease) in provision due to actuarial valuation	-438 290	-2 225 224
Expenditure incurred	-962 981	-896 761
	37 388 271	33 850 805
Transfer to current provision	-1 030 150	-1 000 695
Balance at end of year	36 358 121	32 850 110

14.2.1 Members information

The continued medical aid is a defined benefit plan of which the members are made up as follows:

In-service (employee) members	481	486
Continuation members	31	33
Total Members	512	519

The liability in respect of past service has been estimated to be as follows:

In-service members	25 919 709	21 917 029
Continuation members	11 468 562	11 933 776
Total Liability	37 388 271	33 850 805

14.2.2 Actuarial adjustments were calculated as follows

Change in basis	1 035 938	-4 142 206
Experience	-1 474 228	1 916 982
Actuarial (Gain) / Loss	-438 290	-2 225 224

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
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14.2.3 The municipality makes monthly contributions for health care arrangements to the following medical aid schemes

Bonitas
LA Health
Key Health
Samwumed

14.2.4 Future service and interest cost estimation

The Future-service Cost for the next year is estimated to be R2,194,142, whereas the Interest Cost for the next year is estimated to be R3,524,736.

14.2.5 Sensitivity Analysis

	Liability	Cost (Saving)	% Change
Real rate of Return			
Current Assumption (1.61% GAP)	37 388 271		
-0.5% (1.11% GAP)	40 938 632	3 550 361	9%
+0.5% (2.11 GAP)	34 273 600	-3 114 671	-8%
Mortality			
Current Assumption (Pa90-1)	37 388 271		
Pa90 standard	36 057 584	-1 330 687	-4%
Pa90-2	38 731 526	1 343 255	4%
Retirement			
Current Assumption (Retire 65 years)	37 388 271		
Retire at 60	46 018 496	8 630 225	23%
Retire at 70	32 567 302	-4 820 969	-13%

14.2.6 Key Actuarial Assumptions used

Interest Rate

Discount rate	9.56%	9.21%
General Inflation	6.32%	5.82%
Medical Inflation	7.82%	7.32%
Real Rate (GAP)	1.61%	1.77%

Mortality Rates

Pre-retirement mortality as per SA85-90 (light) table, rated down by 3 years for Female members.

Post-retirement mortality as per PA (90) tables rated down by 1 year

Normal Retirement age

Normal retirement age is 65. It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

14.2.7 Reconciliation of present value of fund obligation

Balance at beginning of year	33 850 805	32 539 334
Current Service Cost	1 864 474	1 770 706
Interest Cost	3 074 263	2 662 750
Actuarial (Gain)/Loss	-438 290	-2 225 224
Liability settlements	-962 981	-896 761
Balance at end of year	37 388 271	33 850 805

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
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14.3 Rehabilitation of landfill sites

Balance at beginning of year	8 290 108	5 444 945
Contributions to provision	5 599 497	2 845 163
Expenditure incurred	-	-
	13 889 605	8 290 108
Transfer to current provision	-8 752 276	-8 290 108
Balance at end of year	5 137 329	-

Key assumptions

The timing for the possible outflow of resources for the rehabilitation for the landfill site could not be determined at the date of the financial statements.

The following key assumptions were made to arrive at the amount disclosed as a possible future obligation:

- 1) Environmental impact process for establishment of solid waste disposal site
- 2) Supply and operation of machinery to transfer refuse
- 3) Sloping and spreading of slopes and ground work, including manual hand labour

An estimated amount was calculated. An average inflation rate of 6.6% as per STATSSA and a discount rate of 9.56% as per the R186 Government Bond rate was used to calculate the obligation at year-end.

14.4 Litigations

Balance at beginning of year	63 827 046	63 508 349
Contributions to provision	-	339 795
Write-off on settlement	-95 000	-
Expenditure incurred	-105 000	-
	63 627 046	63 848 144
Transfer to current provision	-	-21 098
Balance at end of year	63 627 046	63 827 046

14.4.1 Telkom SA Ltd

The municipality damaged Telkom cables for which Telkom has issued a summons on 2 November 2010. The claim relates to the period prior to 30 June 2011. Telkom has sent the municipality a settlement agreement in the 2013/14 financial year. The matter is expected to be settled by 30 June 2014.

14.4.2 Shatsane Systems Solutions (Pty) Ltd

The municipality allegedly repudiated a contract and appointed another contractor for which Shatsane Systems Solutions (Pty) Ltd has issued a summons on 16 August 2012. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2014.

14.4.3 GH Galeng and KN Colane

The municipality allegedly laid false charges against the individuals for which GH Galeng and KN Colane had issued a summons on 20 December 2006. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2014.

21 098	21 098
36 431 628	36 431 628
1 930 000	1 930 000

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
14.4.4 Fynbosland 435 cc	24 000 000	24 000 000
The municipality allegedly did not pay outstanding claims on the housing project for which Fynbosland 435 cc has issued a notice of motion on 25 September 2012. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2014.		
14.4.5 WF van der Ryst	60 000	60 000
The municipality allegedly damaged the plaintiff's cables for which WF van der Ryst has issued a summons on 12 November 2010. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2014.		
14.4.6 Mrs BS Nsedame	100 000	100 000
The municipality allegedly falsely accused the plaintiff for which Mrs BS Nsedame has issued a summons on 13 August 2009. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2014.		
14.4.7 TI Mokwena	150 000	150 000
The municipality and the former Municipal Manager allegedly defamed the character of the plaintiff for which TI Mokwena has issued a summons on 23 July 2010. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2014.		
14.4.8 Johan Badenhorst - Earth Moving and Truck Repair	-	200 000
The municipality allegedly committed breach of contract for which Johan Badenhorst - Earth Moving and Truck Repair has issued a summons on 25 July 2012. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2014.		
14.4.9 Cape Joint Pension Fund	615 623	615 623
The municipality allegedly failed to pay funds over to the pension fund for which Cape Joint Pension Fund has issued a summons on 27 June 2012. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2014.		
14.4.10 Tshiriletso Security Force cc	339 795	339 795
The municipality allegedly awarded a tender to another party for which Tshiriletso Security Force cc has issued a notice of motion on 27 November 2012 in an attempt to have the tender set aside. The claim relates to the 2012/13 financial year. The matter is not expected to be settled by 30 June 2014.		

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
15. PROPERTY RATES		
Actual		
Residential	10 702 325	10 690 882
Commercial	10 893 359	9 614 985
State	7 991 287	7 566 242
Total property rates	29 586 970	27 872 109
Property rates - penalties imposed and collection charges	-	-
Total	29 586 970	27 872 109
Valuations		
Residential	1 562 227 481	1 565 215 881
Businesses	538 911 108	461 456 315
Industrial	53 592 100	60 472 100
Agricultural	2 074 950 522	2 077 620 522
Government	357 232 305	357 232 305
Total	4 586 913 516	4 521 997 123
<p>Valuations on land and buildings are performed every four years. The last general valuation roll came into effect on 1 July 2009. The 5th supplementary valuation roll was completed in April 2013. The following rates are applied to property valuations to determine annual assessment rates:</p>		
Residential	0.00746	0.00706
Businesses	0.01491	0.01412
Industrial	0.01491	0.01412
Agricultural	0.00186	0.00176
Agucultural : Businesses	0.00373	0.00353
Government	0.02237	0.02118
16. SERVICE CHARGES		
Sale of electricity	83 568 338	77 554 286
Sale of water	22 487 075	21 733 134
Refuse removal	13 669 973	13 987 435
Sewerage and sanitation charges	13 968 700	14 049 329
Total service charges	133 694 086	127 324 183
17. RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	1 206 147	1 040 782
Rental of equipment	7 493	24 107
Total rentals	1 213 639	1 064 888
18. INTEREST EARNED		
External investments	574 971	593 214
Outstanding receivables	12 927 005	9 998 471
Total interest	13 501 975	10 591 685

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
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19. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	34 315 000	33 235 000
Municipal Infrastructure Grant	11 531 761	14 271 360
Dr Ruth S Mompoti District Municipality Grant	18 472 609	22 273 417
INEP Grant	13 012 853	7 997 724
Finance Management Grant	1 550 000	1 617 607
Department of Sports, Arts and Culture Grant	246 804	320 808
Municipal Systems Improvement Grant	890 000	952 150
Expanded Public Works Programme Grant	1 000 000	1 515 000
LG Seta Grant	-	220 000

Total government grants and subsidies

81 019 027

82 403 067

19.1 Equitable share

This grant is utilised to fund the operations of the municipality in accordance with the approved MTREF budget.

34 315 000

33 235 000

19.2 Municipal Infrastructure Grant

Balance unspent at beginning of year	-	-
Current year receipts	22 675 000	14 567 000
Net balance claimed against debtor	-296 657	-295 640
Conditions met - transferred to revenue	-11 531 761	-14 271 360

Conditions still to be met - transferred to liabilities (see Note 12)

10 846 582

-

To provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities. No funds have been withheld.

19.3 Dr Ruth S Mompoti District Municipality Grant

Balance unspent at beginning of year	3 700 000	-
Current year receipts	17 269 355	28 012 557
Net balance claimed against debtor	-	-2 039 140
Conditions met - transferred to revenue	-18 473 955	-22 273 417

Conditions still to be met - transferred to liabilities (see Note 12)

2 495 400

3 700 000

The district municipality assists the local municipality with this grant when it is in need. No funds have been withheld.

19.4 INEP Grant

Balance unspent at beginning of year	2 276	-
Current year receipts	18 871 700	8 000 000
Conditions met - transferred to revenue	-13 012 853	-7 997 724

Conditions still to be met - transferred to liabilities (see Note 12)

5 861 123

2 276

To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to Eskom to address the electrification backlog of occupied residential dwelling, the installation on bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply. No funds have been withheld.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
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19.5 Finance Management Grant

Balance unspent at beginning of year	-	771 607
Current year receipts	1 550 000	846 000
Conditions met - transferred to revenue	-1 550 000	-1 617 607

Conditions still to be met - transferred to liabilities (see Note 12)

-	-
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This grant is used to fund the financial operations of the municipality. No funds have been withheld.

19.6 Department of Sport, Art and Culture Grant

Balance unspent at beginning of year	214 054	74 862
Current year receipts	530 000	460 000
Conditions met - transferred to revenue	-246 804	-320 808

Conditions still to be met - transferred to liabilities (see Note 12)

497 250	214 054
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To facilitate mass participation within communities and schools. No funds have been withheld.

19.7 Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	152 150
Current year receipts	890 000	800 000
Conditions met - transferred to revenue	-890 000	-952 150

Conditions still to be met - transferred to liabilities (see Note 12)

-	-
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This grant is used to fund training of municipal staff. No funds have been withheld.

19.8 Expanded Public Works Programme Grant

Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	1 515 000
Conditions met - transferred to revenue	-1 000 000	-1 515 000

Conditions still to be met - transferred to liabilities (see Note 12)

-	-
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This grant is used to fund labour based capital expansion programs. No funds have been withheld.

19.9 LG Seta Grant

Balance unspent at beginning of year	-	-
Current year receipts	-	220 000
Conditions met - transferred to revenue	-	-220 000

Conditions still to be met - transferred to liabilities (see Note 12)

-	-
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This grant is used to fund training of community members. No funds have been withheld.

19.10 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, significant increases in the level of government grant funding are expected over the forthcoming 3 financial years.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
20. OTHER INCOME		
Valuation certificates	13 648	19 639
Salary deductions commission	199 592	149 519
Bid document fees	53 041	67 391
Surplus cash	3 463	-11 527
Sundry creditors written-off	96 903	201 333
PPE transfer received	330 000	-
Reversal of unwinding of discounting	1 818 119	-
LG SETA	598 941	591 662
Employee bursaries recovered	18 595	-
Entrance fees	222 168	174 811
Advertisement fees	4 263	2 204
Commission on sales	1 116 506	386 860
Electricity Usage	-	4 808
Library: Lost books	490	394
Membership fees	-	2 570
Photocopy charges	2 276	5 579
Cemetery fees	270 215	245 320
Reference charges	-	-
Roadworthy certificates	328 854	407 369
Private works	-100 039	9 011
Availability fees	206 483	199 762
Eskom Commercial Fees	-	771 260
Re-connection fees	56 441	179 122
Parking meters	-	-477
Business registration fees	18 579	12 972
Sale of plans	68 143	6 837
Sub-division fees	112 022	122 052
Servitude Fees	-	420 823
Building plan fees	202 715	276 146
Public contributions and Donations	-	-
Sedibeng contribution to bulk water	-	-
Sundry income	73 732	164 236
Total other income	5 715 149	4 409 675
21. EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and wages	74 902 710	52 941 170
Employee related costs - Contributions to UIF, pensions and medical	17 797 635	14 809 143
Travel and motor car allowances	8 323 262	6 268 467
Housing benefits and allowances	636 299	372 352
Overtime payments	6 427 740	5 654 147
Performance and other bonuses	5 487 830	3 786 001
Long-service awards	808 584	1 485 644
Continued medical aid contributions	472 092	3 744 902
Other employee related costs	3 485 722	1 062 747
Total employee related costs	118 341 874	90 124 574
There were no advances to employees.		
<u>Remuneration of the Municipal Manager</u>		
Annual remuneration	898 844	688 075
Performance and other bonuses	60 348	69 230
Travel, motor car, accommodation, subsistence and other allowances	171 525	160 056
Contributions to UIF, medical and pension funds	156 289	237 557
Total	1 287 007	1 154 918
<u>Remuneration of the Chief Financial Officer</u>		
Annual remuneration	709 200	479 393
Performance bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	445 661	293 801
Contributions to UIF, medical and pension funds	15 834	19 378
Total	1 170 695	792 571
<u>Remuneration of individual executive managers</u>		
Remuneration of individual executive managers are reflected per Note 49 .		

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
22. REMUNERATION OF COUNCILLORS		
Mayor	672 500	628 409
Speaker	510 022	266 587
Executive committee members	1 472 046	749 548
Councillors	2 762 636	2 515 070
Councillors' pension, medical aid and SDL contributions	438 866	521 900
Total councillors' remuneration	5 856 071	4 681 514
In-kind benefits		
The Mayor is full-time. The Mayor is provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of a Council owned vehicle with one driver for official duties.		
Remuneration of individual councillors		
Remuneration of individual councillors are reflected per Note 50 .		
23. IMPAIRMENT OF RECEIVABLES		
The movement in provision of receivables is set out below:		
Increase in provision of receivables	21 871 713	18 225 843
Service charges of indigent debtors written-off	13 002 156	31 478 753
Total impairment of receivables	34 873 869	49 704 596
24. GRANTS AND SUBSIDIES PAID		
Donations	16 076	18 560
Community bursaries	-	43 936
Community capacity building and training	-	12 000
LED projects	27 183	21 780
Pauper burials	6 878	1 950
Naledi Animal Shelter	56 000	-
Disaster relief aid	14 752	22 852
District Municipality Asset Grant	377 568	1 371 237
Refuse bags	100 423	195 673
Refuse bins	-	-
Total grants and subsidies paid	598 880	1 687 986
25. DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment	48 458 600	47 278 704
Total depreciation and amortisation	48 458 600	47 278 704
26. FINANCE COSTS		
Borrowings	811 080	1 677 849
Consumer deposits	207	-
Bank overdrafts	-	390
Creditors	11 287 003	6 648 284
SARS	-	300 497
Other creditors	4 921	2 563
Unwinding of discounting	-	2 845 163
Finance lease liability	69 351	31 550
Actuarial valuations	3 606 991	3 133 641
Total finance costs	15 779 553	14 639 937

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
27. BULK PURCHASES		
Electricity	63 250 145	59 508 108
Water	9 731 726	7 984 680
Total bulk purchases	72 981 871	67 492 788
<u>Distribution Losses</u>		
Electricity		
Electricity Purchased (MWh)	91 922	87 538
Electricity Sold (MWh)	-70 594	-64 074
Total loss Incurred (MWh)	21 328	23 464
Average Cost per MWh	688.09	633.77
Total Loss (R)	14 675 308	14 870 779
Water		
Water Purchases and pumped (KL)	7 888 751	7 445 684
Water Purchased Loss (KL)	1 225 901	1 244 558
Water Pumping Loss (KL)	1 929 600	2 106 000
Total Loss Incurred (KL)	3 155 501	3 350 558
Average Cost per KL purchased	2.97	2.86
Average Cost per KL pumped	0.75	0.65
Total Loss (R)	5 091 482	4 928 336
28. CONTRACTED SERVICES		
Security services	2 344 891	2 480 208
Forensic investigating services	-	2 040 734
Accounting services	1 561 452	5 842 662
Payroll services	38 039	290 156
Valuation services	1 387 326	37 034
Meter reading services	405 149	298 087
Recruitment services	-	12 709
Employee training services	-	244 200
OHS Services	48 060	-
Performance information services	-	649 579
Professional Services - Transfer costs	491	1 717 540
Contracted Workers	6 786 667	15 026 143
Contracted Services	202 562	976 616
Commission paid	3 112	-
Bulk water provision services	720 389	-
Refuse removal services	422 580	-
Sewerage removal services	1 640 442	108 051
Business plans and feasibility services	-	-
Professional Fees	-	-
Architectural services	-	-
Professional Services	781 501	311 371
Total contracted services	16 342 661	30 035 089

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
29. GENERAL EXPENSES		
Included in general expenses are the following:		
Advertising	357 909	332 729
Antiseptics and medication	791	-
Audit fee	2 707 852	2 013 807
Bank charges	432 825	665 109
Books and publications	8 724	42 152
Chemicals	170 896	147 300
Cleaning materials and consumables	171 965	339 674
Congresses and conferences	69 418	33 238
Community functions	240 684	390 520
Community functions/IDP	44 855	90 170
Commission paid on sales	30 241	-
Employee assistance program	101 506	11 316
Employee bursaries	86 780	67 733
Employee furniture removal costs	-	17 500
Employee sports program	330 593	415 464
Employee arbitration cases	91 703	134 602
Employee accommodation incentive	29 480	-
Electricity	4 056 028	4 161 695
Entertainment - Councillors	-	7 825
Entertainment - Officials	3 104	1 252
Gardening expenses	8 725	-
Grave markers and consumables	4 438	1 750
Insurance premiums	1 094 635	1 010 411
Internet charges	27 104	38 453
Mayoral inauguration	-	-
Kitchen ware and cutlery	9 016	5 392
Licenses : Radios	-	-
Licenses: Other	1 414	4 268
Legal expenses	763 303	1 320 564
Machinery : Fuel and oil	260 491	271 726
Material	2 681	-
Membership fees : Societies	998 022	823 148
Pest control	-	9 707
Postage stamps and telegraphs	733 220	637 429
Printing and stationery	1 340 434	1 674 133
Promotion and marketing	149 138	93 264
Refreshments and meals	240 604	266 057
Rental : Equipment	791 553	723 474
Rental : Office	-	-
SARS Penalties	-	67 521
Salt Feed and Medicine	29 979	13 949
Sanitary and refuse removal	-	-
Small tools and equipment	333 321	326 481
Software expenses	1 109 967	867 387
Special projects	114 265	125 182
Sundry expenses	29 612	36 062
Telephone	1 604 814	1 732 117
Title deed search	4 748	5 702
Training and courses	1 131 910	626 737
Travel and subsistence : Councillors	156 471	250 209
Travel and subsistence : Officials	2 307 223	1 481 282
Travel and subsistence : Interviews	21 293	28 315
Uniforms and protective clothing	557 033	316 229
Vehicles : Fuel and oil	2 790 806	2 511 369
Vehicles : Licenses	195 411	176 891
Rental: Vehicles	163 683	280 483
Water supply	-	596
Ward Committee Stipends	879 670	950 000
Workmans compensation	843 408	675 206
	27 633 746	26 223 577

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
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30. GAIN / (LOSS) ON DISPOSAL OF PPE

Property, plant and equipment	-1 696 264	-930 337
Total gain / (loss) on disposal of PPE	-1 696 264	-930 337

31. CASH GENERATED BY OPERATIONS

Deficit for the year	-83 085 488	-84 991 640
Adjustment for:		
Depreciation and amortisation	48 458 600	47 278 704
Gain / (loss) on disposal of property, plant and equipment	1 696 264	930 337
(Increase) / decrease in natural movement of game / animals	-5 419 597	-1 035 800
Contribution to provisions	7 779 461	5 982 349
Fair value adjustments	-	-
Impairment of receivables	21 871 663	18 709 744
Finance costs	15 779 553	14 639 937
Interest earned	-13 501 975	-10 591 685
Operating surplus before working capital changes:	-6 421 519	-9 078 054
(Increase)/decrease in trade receivables	-27 865 355	-6 421 444
(Increase)/decrease in other receivables	-997 812	-2 356 169
(Increase)/decrease in inventory	201 061	-410 300
(Increase)/decrease in VAT receivable	-8 233 533	-6 886 160
Increase/(decrease) in trade payables	61 691 559	46 259 216
Increase/(decrease) in consumer deposits	301 374	-181 709
Increase/(decrease) in conditional grants and receipts	15 784 025	2 917 711
Increase/(decrease) in finance lease liability	-339 153	-116 350
Cash generated by / (utilised in) operations	34 120 647	23 726 740

32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following :

Bank balances and cash	1 322 993	5 951 202
Short term investments	136 033	127 808
Total cash and cash equivalents	1 459 026	6 079 010

33. CHANGE IN ACCOUNTING POLICY

No adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

34. CORRECTION OF ERROR

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the correction of errors:

Previous disclosure	Restated disclosure	Correction of Error
R	R	R

Statement of Financial Position

Current assets	52 064 962	49 594 518	-2 470 445
Cash and cash equivalents	6 263 342	6 079 010	-184 332
Trade and other receivables from exchange transactions	25 762 258	25 762 258	-
Other receivables from non-exchange transactions	5 595 364	3 276 422	-2 318 942
Inventories	2 462 633	2 462 633	-
VAT receivable	11 981 365	12 014 194	32 829
Non-current assets	981 674 112	981 579 303	-94 808
Property, plant and equipment	980 954 826	980 860 018	-94 808
Heritage assets	719 286	719 286	-
Biological assets	-	-	-
Total Assets	1 033 739 074	1 031 173 821	-2 565 253
Current liabilities	243 711 904	227 580 193	-16 131 711
Trade and other payables from exchange transactions	174 047 214	179 185 110	5 137 896
Consumer deposits	3 578 676	3 578 676	-
Current provisions	10 034 825	10 034 825	-
Current portion of unspent conditional grants and receipts	3 702 276	3 916 330	214 054
Current portion of borrowings	52 052 334	30 568 673	-21 483 661
Current portion of finance lease liability	296 579	296 579	-
Non-current liabilities	103 760 258	103 760 258	-
Non-current provisions	103 760 258	103 760 258	-
Non-current borrowings	-	-	-
Total Liabilities	347 472 162	331 340 451	-16 131 711
Net assets	686 266 912	699 833 370	13 566 459
Net assets	686 266 912	699 833 370	13 566 458
Reserves	1 847 484	1 847 484	-
Accumulated surplus / (deficit)	684 419 428	697 985 886	13 566 458

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

Previous disclosure	Restated disclosure	Correction of Error
R	R	R

Statement of Financial Performance

Revenue

Property Rates	27 872 109
Property rates - penalties imposed and collection charges	-
Service Charges	127 324 183
Rental of facilities and equipment	1 064 888
Interest earned - external investments	593 214
Interest earned - outstanding receivables	9 998 471
Fines	402 653
Licences and Permits	5 478 404
Government grants and subsidies	82 082 259
Other income	4 483 106

259 299 287

259 546 664

247 376

27 872 109	27 872 109	-
-	-	-
127 324 183	127 324 182	-1
1 064 888	1 064 888	-
593 214	593 214	-
9 998 471	9 998 471	-
402 653	402 653	-
5 478 404	5 478 404	-
82 082 259	82 403 067	320 808
4 483 106	4 409 675	-73 431

Expenses

Employee related costs	89 168 571
Remuneration of councillors	4 602 514
Impairment of receivables	49 704 596
Collection costs	-
Depreciation and amortisation expense	47 220 809
Grants and subsidies paid	1 686 644
Finance costs	18 755 914
Bulk purchases	67 492 788
Repairs and maintenance	16 586 369
Contracted services	30 017 234
General expenses	25 422 417

350 657 856

348 567 966

-2 089 891

89 168 571	90 124 574	956 003
4 602 514	4 681 514	79 000
49 704 596	49 704 596	-
-	-	-
47 220 809	47 278 704	57 895
1 686 644	1 687 986	1 342
18 755 914	14 639 937	-4 115 977
67 492 788	67 492 788	-
16 586 369	16 699 200	112 831
30 017 234	30 035 089	17 855
25 422 417	26 223 577	801 160

Other items

Gain / (loss) on disposal of PPE	-2 073 271
Gain / (loss) on natural movements of game / animals	1 035 800
Gain / (loss) on disposal of Biological Assets	-
Gain / (loss) on borrowings redeemed	-
Gain / (loss) on actuarial valuation	3 924 198
Gain / (loss) on fair value adjustment	-

2 886 727

4 029 661

1 142 934

-2 073 271	-930 337	1 142 934
1 035 800	1 035 800	-
-	-	-
-	-	-
3 924 198	3 924 198	-
-	-	-

Suplus / deficit for the year

-88 471 842

-84 991 641

3 480 201

-88 471 842	-84 991 641	3 480 201
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NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R

Effect of restatement on 2012/13	Effect of restatement on 2011/12	Total effect of restatement
R	R	R

34.1 Cash and cash equivalents

During the year it was noted that the petty cash balance was previously overstated in the 2012/13 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

Statement of financial position

Decrease in cash and cash equivalents	184 331	-	184 331
Increase in VAT receivable	18 469	-	18 469

Statement of financial performance

Increase in other income	9 742	-	9 742
Increase in repairs and maintenance	85 224	-	85 224
Increase in general expenses	86 860	-	86 860
Increase in employee related costs	1 979	-	1 979
Increase in grants and subsidies paid	1 343	-	1 343
Increase in contracted services	200	-	200

34.2 Other receivables from non-exchange transactions

During the year it was noted that prepayments were previously understated in the 2012/13 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

Statement of financial position

Increase in other receivables from non-exchange transactions	12 758	-	12 758
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Statement of financial performance

Decrease in general expenses	12 758	-	12 758
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During the year it was noted that the sundry debtors balance relating to other debtors was previously understated in the 2012/13 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

Statement of financial position

Increase in other receivables from non-exchange transactions	247 953	-	247 953
Increase in trade and other payables from exchange transactions	228 246	-	228 246
Decrease in accumulated surplus / (deficit)	-	14 000	14 000

Statement of financial performance

Decrease in general expenses	33 707	-	33 707
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During the year it was noted that the sundry debtors balance relating to salary third party control accounts was previously overstated in the 2012/13 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

Statement of financial position

Decrease in other receivables from non-exchange transactions	2 588 321	-	2 588 321
Decrease in trade and other payables from exchange transactions	99 151	-	99 151
Decrease in accumulated surplus / (deficit)	-	1 595 457	1 595 457

Statement of financial performance

Increase in employee related costs	893 719	-	893 719
Increase in other income	7	-	7

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
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Effect of restatement on 2012/13	Effect of restatement on 2011/12	Total effect of restatement
R	R	R

During the year it was noted that the sundry debtors balance relating to salaries were previously understated in the 2012/13 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

Statement of financial position

Increase in other receivables from non-exchange transactions	8 668	-	8 668
Increase in trade and other payables from exchange transactions	6 028	-	6 028

Statement of financial performance

Increase in employee related costs	49	-	49
Increase in remuneration of councillors	79 000	-	79 000
Decrease in grants and subsidies paid	79 000	-	79 000
Decrease in contracted services	2 689	-	2 689

34.3 VAT receivable

During the year it was noted that VAT receivable was previously overstated in the 2012/13 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

Statement of financial position

Increase in VAT receivable	32 830	-	32 830
Increase in trade and other payables from exchange transaction	36 712	-	36 712
Decrease in cash and cash equivalents	18 469	-	18 469

Statement of financial performance

Increase in general expenses	22 351	-	22 351
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34.4 Property, plant and equipment

During the year it was noted that property, plant and equipment was previously overstated in the 2012/13 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

Statement of financial position

Decrease in property, plant and equipment	94 809	-	94 809
Decrease in trade and other payables from exchange transaction	1 522 986	-	1 522 986
Increase in accumulated surplus / (deficit)	-	343 139	343 139

Statement of financial performance

Increase in depreciation and amortisation expense	57 895	-	57 895
Increase in gain / (loss) on disposal of PPE	1 142 934	-	1 142 934

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R

Effect of restatement on 2012/13	Effect of restatement on 2011/12	Total effect of restatement
R	R	R

34.5 Trade and other payables from exchange transactions

During the year it was noted that the trade creditors balance was previously understated in the 2012/13 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

Statement of financial position

Increase in trade and other payables from exchange transaction	4 125 651	-	4 125 651
Increase in VAT receivable	3 725	-	3 725
Decrease in accumulated surplus / (deficit)	-	3 213 454	3 213 454

Statement of financial performance

Decrease in other income	83 180	-	83 180
Increase in general expenses	774 779	-	774 779
Increase in contracted services	20 343	-	20 343
Increase in repairs and maintenance	27 608	-	27 608
Increase in finance costs	2 563	-	2 563

During the year it was noted that the other creditors balance relating to the direct deposit control account was previously overstated in the 2012/13 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

Statement of financial position

Decrease in trade and other payables from exchange transaction	460 000	-	460 000
Increase in current portion of unspent conditional grants and receipts	460 000	-	460 000

During the year it was noted that the other creditors balance relating to salary third party control accounts was previously overstated in the 2012/13 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

Statement of financial position

Decrease in trade and other payables from exchange transactions	1 165 989	-	1 165 989
Increase in accumulated surplus / (deficit)	-	1 165 989	1 165 989

During the year it was noted that the other creditors balance relating to salary third party control accounts was previously understated in the 2012/13 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

Statement of financial position

Increase in trade and other payables from exchange transactions	84 949	-	84 949
Decrease in other receivables from non-exchange transactions	99 151	-	99 151
Decrease in accumulated surplus / (deficit)	-	81 209	81 209

Statement of financial performance

Increase in employee related costs	60 256	-	60 256
Increase in general expenses	42 635	-	42 635

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
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Effect of restatement on 2012/13	Effect of restatement on 2011/12	Total effect of restatement
R	R	R

During the year it was noted that the other creditors balance relating to salaries were previously understated in the 2012/13 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

Statement of financial position

Increase in trade and other payables from exchange transactions	6 028	-	6 028
Increase in other receivables from non-exchange transactions	6 028	-	6 028

During the year it was noted that the other creditors balance relating to litigations was previously understated in the 2012/13 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

Statement of financial position

Increase in trade and other payables from exchange transaction	3 809 010	-	3 809 010
Increase in accumulated surplus / (deficit)	-	3 809 010	3 809 010

During the year it was noted that the other creditors balance was previously overstated in the 2012/13 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

Statement of financial position

Decrease in trade and other payables from exchange transactions	1 261 754	-	1 261 754
Increase in other receivables from non-exchange transactions	228 246	-	228 246
Increase in VAT receivable	32 987	-	32 987

Statement of financial performance

Increase in gain / (loss) on disposal of PPE	1 522 986	-	1 522 986
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34.6 Current portion of unspent conditional grants and receipts

During the year it was noted that the current portion of unspent conditional grants and receipts were previously understated in the 2012/13 financial year, due to Library grant opening balance, revenue and expenditure not previously accounted for. This has now been correctly disclosed and the effect of the restatement is as follows:

Statement of financial position

Increase in current portion of unspent conditional grants and receipts	214 054	-	214 054
Decrease in trade and other payables from exchange transaction	460 000	-	460 000
Decrease in accumulated surplus / (deficit)	-	74 862	74 862

Statement of financial performance

Increase in government grants and subsidies	320 808	-	320 808
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NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
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Effect of restatement on 2012/13 R	Effect of restatement on 2011/12 R	Total effect of restatement R
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34.7 Current portion of borrowings

During the year it was noted that the current portion of borrowings was previously overstated in the 2012/13 financial year due to the write-off of interest previously over-charged. This has now been correctly disclosed and the effect of the restatement is as follows:

Statement of financial position

Decrease in current portion of borrowings	21 483 660	-	21 483 660
Increase in non-current borrowings	21 483 660	-	21 483 660

34.8 Non-current borrowings

During the year it was noted that borrowings were previously overstated in the 2012/13 financial year due to the write-off of interest previously over-charged. This has now been correctly disclosed and the effect of the restatement is as follows:

Statement of financial position

Increase in non-current borrowings	-	-	-
Decrease in current portion of borrowings	21 483 660	-	21 483 660
Increase in accumulated surplus / (deficit)	-	17 365 120	17 365 120

Statement of financial position

Decrease in finance costs	4 118 540	-	4 118 540
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34.9 Statement of financial performance

During the year it was noted that the following statement of financial performance disclosure items (other than those disclosed per 34.1 to 34.6) were incorrectly disclosed for the 2012/13 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

Statement of financial performance

Decrease in general expenses	79 000	-	79 000
Increase in grants and subsidies paid	79 000	-	79 000

No further adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the correction of errors.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
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35. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

35.1 Unauthorized expenditure

Balance brought forward	149 642 545	87 744 433
Unauthorized expenditure current year	10 036 311	61 898 112
Condoned or written-off by council	-149 642 545	-
Recovery of unauthorized expenditure	-	-

Balance carried forward	10 036 311	149 642 545
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35.1.1 Over expenditure on operating budget for the 2011/12 year	-	87 744 433
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The unauthorized expenditure relates to the 2011/12 financial year regarding over-expenditure on individual votes. The unauthorized expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The unauthorized expenditure has been condoned by council as per resolution no 333/2014.

35.1.2 Over expenditure on operating budget for the 2012/13 year	-	54 700 158
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The unauthorized expenditure relates to the 2012/13 financial year regarding over-expenditure on individual operating expenditure votes. The unauthorized expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The unauthorized expenditure has been condoned by council as per resolution no 333/2014.

35.1.3 Over expenditure on capital budget for the 2012/13 year	-	7 197 953
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The unauthorized expenditure relates to the 2012/13 financial year regarding over-expenditure on individual capital expenditure votes. The unauthorized expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The unauthorized expenditure has been condoned by council as per resolution no 333/2014.

35.1.4 Over expenditure on operating budget for the 2013/14 year	8 924 316	-
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The unauthorized expenditure relates to the 2013/14 financial year regarding over-expenditure on individual operating expenditure votes. The unauthorized expenditure will be investigated and presented to council for decision on recovery or write-off in the 2014/15 financial year.

35.1.5 Over expenditure on capital budget for the 2013/14 year	1 111 995	-
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The unauthorized expenditure relates to the 2012/13 financial year regarding over-expenditure on individual capital expenditure votes. The unauthorized expenditure will be investigated and presented to council for decision on recovery or write-off in the 2014/15 financial year.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
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35.2 Fruitless and wasteful expenditure

Balance brought forward	46 580 265	33 834 705
Fruitless and wasteful expenditure current year	12 103 210	12 745 560
Condoned or written-off by council	-46 580 265	-
Recovery of fruitless and wasteful expenditure	-	-
Balance carried forward	12 103 210	46 580 265

35.2.1 Penalties and interest for the 2010/11 year

-	25 808 672
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The fruitless and wasteful expenditure mainly relates to penalties and interest on late payments to SARS, DBSA, Eskom and other payables in the 2010/11 financial year. The late payments are due to cashflow challenges being experienced by the municipality. The fruitless and wasteful expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The fruitless and wasteful expenditure has been written-off by council as per resolution 333/2014.

35.2.2 Penalties and interest for the 2011/12 year

-	8 026 033
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The fruitless and wasteful expenditure mainly relates to penalties and interest on late payments to SARS, DBSA, Eskom and other payables in the 2011/12 financial year. The late payments are due to cashflow challenges being experienced by the municipality. The fruitless and wasteful expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The fruitless and wasteful expenditure has been written-off by council as per resolution 333/2014.

35.2.3 Penalties and interest for the 2012/13 year

-	12 745 560
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The fruitless and wasteful expenditure mainly relates to penalties and interest on late payments to SARS, DBSA, Eskom and other payables in the 2012/13 financial year. The late payments are due to cashflow challenges being experienced by the municipality. The fruitless and wasteful expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The fruitless and wasteful expenditure has been written-off by council as per resolution 333/2014.

35.2.4 Penalties and interest for the 2013/14 year

12 103 210	-
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The fruitless and wasteful expenditure mainly relates to penalties and interest on late payments to SARS, DBSA, Eskom and other payables in the 2013/14 financial year. The late payments are due to cashflow challenges being experienced by the municipality. The fruitless and wasteful expenditure will be investigated and presented to council for decision on recovery or write-off in the 2014/15 financial year.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
35.3 Irregular expenditure		
Balance brought forward	138 540 963	130 547 938
Irregular expenditure current year	-	7 993 025
Condoned or written-off by council	-138 540 963	-
Recovery of irregular expenditure	-	-
Balance carried forward	-	138 540 963
35.3.1 Procurement not in line with SCM for the 2009/10 year	-	17 560 592

The irregular expenditure relates to procurement in the 2009/10 financial year not in line with SCM Regulations. The irregular expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The irregular expenditure has been written-off by council as per resolution 333/2014.

35.3.2 Procurement on housing project not in line with SCM for the 2009/10 year	-	79 690 499
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The irregular expenditure relates to procurement on the housing project in the 2009/10 financial year not in line with SCM Regulations. The irregular expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The irregular expenditure has been written-off by council as per resolution 333/2014.

35.3.3 Procurement not in line with SCM for the 2010/11 year	-	139 590
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The irregular expenditure relates to procurement in the 2010/11 financial year not in line with SCM Regulations. The irregular expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The irregular expenditure has been written-off by council as per resolution 333/2014.

35.3.4 Procurement not in line with SCM for the 2011/12 year	-	14 219 746
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The irregular expenditure relates to procurement in the 2011/12 financial year not in line with SCM Regulations. The irregular expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The irregular expenditure has been written-off by council as per resolution 333/2014.

35.3.5 Procurement not in line with SCM for the 2012/13 year	-	7 671 878
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The following irregular expenditure relates to procurement in the 2012/13 financial year not in line with SCM Regulations:

a) Goods and services (Between R30,000 and R200,000) to the value of R194,805.08 were acquired not in terms of regulation 12 of the Municipal Supply Chain Management Regulations.

b) Goods and services (Between R2,000 and R30,000) to the value of R70,485.98 were acquired not in terms of regulation 12 of the Municipal Supply Chain Management Regulations.

c) Contract no NLM2013-033A - Supply and Installation of Endpoint Data Backup of Disaster Recovery in Naledi Local Municipality was awarded to Datafox for R400,140.00 not in terms of section 28(1)(c) of the Municipal Supply Chain Management Regulations.

d) Contract no NLM2013-015A - Supply and Delivery of 6.7mm Raodstone was awarded to Loojwa Civil Construction and Works for R1,297,712.00 not in terms of section 28(1)(c) of the Municipal Supply Chain Management Regulations.

e) Contract no NLM2013-016A-1 - Supply and Delivery of Motor Vehicle Tyres was awarded to Midas - Randburg for R250,512.97 not in terms of section 28(1)(c) of the Municipal Supply Chain Management Regulations.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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f) Transfer costs (R1,954,576.80) and legal fees (R1,266,767.61) to the total value of R3,221,344.41 was incurred to the municipality's attorneys, Du Plessis-Viviers, not in terms of section 11(3) of the Municipal Supply Chain Management Regulations and section 12(3) of the Municipal Supply Chain Management Policy.

g) Various suppliers did business with the municipality to the total value of R29,480.00. Employees of the municipality have business interest in these suppliers, which is in contravention of section 13(c) of the Municipal Supply Chain Management Regulations.

h) Various suppliers did business with the municipality to the total value of R277,632.80. Employees of other state institutions have business interest in these suppliers, which is in contravention of section 13(c) of the Municipal Supply Chain Management Regulations.

i) Various orders were awarded to Naledi Builders for the total value of R331,988.61, not in terms of section 11(3) of the Municipal Supply Chain Management Regulations and section 12(3) of the Municipal Supply Chain Management Policy.

j) Various orders were awarded to Lithotech Sales Bloemfontein for the total value of R512,808.20, not in terms of section 11(3) of the Municipal Supply Chain Management Regulations and section 12(3) of the Municipal Supply Chain Management Policy.

k) Various orders were awarded to Tshireletso Security Force for the total value of R1,084,967.48, not in terms of section 11(3) of the Municipal Supply Chain Management Regulations and section 12(3) of the Municipal Supply Chain Management Policy.

The irregular expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The irregular expenditure has been written-off by council as per resolution 333/2014.

35.3.6 Councillor medical aid contribution exceeding the upper limit for the 2010/11 year

-	19 541
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The irregular expenditure relates to the medical aid contributions for a councillor that exceeded the monthly upper limit as stipulated per the Government Gazette of 10 December 2010. The irregular expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The irregular expenditure has been written-off by council as per resolution 333/2014.

35.3.7 Salary increment not in terms of council resolutions for the 2010/11 year

-	71 562
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The irregular expenditure relates to salary increments paid to section 57 managers that do not agree to salary increment approvals as per council resolutions. The irregular expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The irregular expenditure has been written-off by council as per resolution 333/2014.

35.3.8 Non-compliance with PPFA for the 2010/11 year

-	3 629 306
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The irregular expenditure relates to non-compliance with the PPPFA section 2(1)(e) and (f) in the awarding of a tender to Thembaniti Business Enterprise cc. The irregular expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The irregular expenditure has been written-off by council as per resolution 333/2014.

NALEDI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
35.3.9 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Erante Konsultante for the 2010/11 year	-	5 280 068
The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Erante Konsultante. The irregular expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The irregular expenditure has been written-off by council as per resolution 333/2014.		
35.3.10 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Fynbosland 435 BK for the 2010/11 year	-	2 607 140
The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Fynbosland 435 BK. The irregular expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The irregular expenditure has been written-off by council as per resolution 333/2014.		
35.3.11 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Geontsi Consulting Engineers for the 2010/11 year	-	2 142 425
The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Geontsi Consulting Engineers. The irregular expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The irregular expenditure has been written-off by council as per resolution 333/2014.		
35.3.12 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Worley Parsons RSA (Pty) Ltd formerly Kwezi V3 Engineers (Pty) Ltd for the 2010/11 year	-	1 665 198
The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Worley Parsons RSA (Pty) Ltd formerly Kwezi V3 Engineers (Pty) Ltd. The irregular expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The irregular expenditure has been written-off by council as per resolution 333/2014.		
35.3.13 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Maximum Profit Recovery (Pty) Ltd for the 2010/11 year	-	321 557
The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Maximum Profit Recovery (Pty) Ltd. The irregular expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The irregular expenditure has been written-off by council as per resolution 333/2014.		
35.3.14 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Pandel Consulting for the 2010/11 year	-	3 512 071
The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Pandell Consulting. The irregular expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The irregular expenditure has been written-off by council as per resolution 333/2014.		
35.3.15 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Matlala for the 2010/11 year	-	2 010
The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Matlala. The irregular expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The irregular expenditure has been written-off by council as per resolution 333/2014.		

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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35.3.16 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Phepatso for the 2010/11 year

-	3 000
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The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Phepatso. The irregular expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The irregular expenditure has been written-off by council as per resolution 333/2014.

35.3.17 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Yanks Logistics for the 2010/11 year

-	4 780
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The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Yanks Logistics. The irregular expenditure has been investigated and presented to council for decision on recovery or write-off on 30 June 2014. The irregular expenditure has been written-off by council as per resolution 333/2014.

i) No further material losses or material irregular or fruitless and wasteful expenditures or material unauthorized expenditure had occurred during the financial year.

ii) No criminal or disciplinary steps were taken as a result of losses from the above.

iii) No material losses have been recovered or written-off.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
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36. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

36.1 Contributions to organised local government: SALGA NW

Opening balance	239 144	194 668
Council subscriptions	997 496	823 148
Amount paid - current year	-717 432	-584 004
Amount paid - previous year	-239 144	-194 668
Balance overpaid (included in debtors)	280 064	239 144

36.2 Audit fees

Opening balance	4 158 480	7 712 451
Current year audit fees	2 707 852	2 013 807
Amount paid - current year	-1 097 536	-1 804 015
Amount paid - previous year	-4 158 480	-3 763 762
Balance unpaid (included in creditors)	1 610 316	4 158 480

36.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in **Note 5**. All VAT returns have been submitted.

20 247 728	12 014 194
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36.4 PAYE and UIF

Opening balance	-771 503	13 187 235
Current year payroll deductions	14 408 802	10 555 054
Amount paid - current year	-13 201 985	-11 326 557
Amount paid - previous year	771 503	-13 187 235
Balance unpaid (included in debtors)	1 206 816	-771 503

The balance carried forward represents over-payments made to SARS (under-payment in previous year).

36.5 Pension and medical aid deductions

Opening balance	-15 367	511 239
Current year payroll deductions and council contributions	25 441 305	20 904 489
Amount paid - current year	-23 274 231	-20 919 856
Amount paid - previous year	15 367	-511 239
Balance unpaid (included in debtors)	2 167 074	-15 367

The balance carried forward represents over-payments made to Pension and Medical Aids (under-payment in previous year).

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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36.6 Councillors' arrear consumer accounts

The following sundry debtor balances were outstanding for more than 90 days from councillors:

	Outstanding < 90 days	Outstanding > 90 days	Total
As at 30 June 2014			
MA Nchochoba	1 643	28 525	30 168
D Motobo	1 437	28 577	30 014
ST Modise	1 689	4 403	6 092
ML Thekisho	1 794	2 852	4 647
OJ Bareki	-	-	-
J Mathiba	198	-	198
L Coetzee	1 088	-	1 088
MA Mccarthy	-	-	-
TG Moruri	1 437	11 319	12 756
DP Matobo	113	3 391	3 504
A Diedericks	-	-	-
MG Kegakilwe	1 276	-	1 276
MC Pretorius	255	-	255
MJ Mathiba	1 032	768	1 800
CJ Groep	-	-	-
MF Tinyane	-	-	-
JA Adonis	148	-	148
EP Renoster	128	10	138
BTB Moabi	-	-	-
TG Moroka	-	-	-
Total Councillor Arrear Consumer Accounts	12 238	79 845	92 083

As at 30 June 2013

MA Nchochoba	1 570	19 273	20 843
D Motobo	1 305	22 327	23 632
ST Modise	1 412	-	1 412
ML Thekisho	1 655	3 721	5 376
OJ Bareki	1 581	11 231	12 812
J Mathiba	1 868	-	1 868
L Coetzee	3 370	-	3 370
MA Mccarthy	2 264	-	2 264
TG Moruri	1 375	6 238	7 613
DP Matobo	107	2 827	2 934
A Diedericks	1 186	-	1 186
MG Kegakilwe	1 177	-	1 177
MC Pretorius	2 742	-	2 742
MJ Mathiba	976	805	1 781
CJ Groep	596	-	596
MF Tinyane	62	298	360
JA Adonis	140	-	140
EP Renoster	40	-	40
BTB Moabi	-	-	-
TG Moroka	-	-	-
Total Councillor Arrear Consumer Accounts	23 426	66 720	90 146

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
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36.7 Non-compliance with Chapter 11 of the Municipal Finance Management Act

Non-compliance due to contravention of the Supply Chain Management Regulations stipulated in Chapter 11 of the MFMA has been disclosed in note **35.3**.

-	41 198 770
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36.8 Summary of investments (call accounts)

Description	Cash book balance at beginning of year R	Cash book balance at end of year R
FIXED DEPOSIT - ABSA - 2030770297 - GENERAL	6 534	6 500
FIXED DEPOSIT - ABSA - 2033233628 - GENERAL	9 455	9 941
FIXED DEPOSIT - FNB - 70416038010 - GENERAL	8 041	8 041
FIXED DEPOSIT - FNB - 70416052060 - GENERAL	7 900	7 900
CALL ACCOUNT - FNB - 624 0111 9856 - FMG	1 008	1 050
CALL ACCOUNT - FNB - 624 0112 1364 - MIG	1 863	53 201
CALL ACCOUNT - FNB - 624 0112 3344 - EPWP	1 008	1 050
CALL ACCOUNT - FNB - 624 0112 3625 - LIBRARY FUNDS	1 008	1 050
CALL ACCOUNT - FNB - 624 0112 2255 - MSIG	5 623	2 639
CALL ACCOUNT - FNB - 624 0112 2908 - INEP	76 472	3 992
CALL ACCOUNT - FNB - 624 0112 3964 - EQUITABLE SHARE	4 757	6 348
CALL ACCOUNT - FNB - 624 0112 4235 - LGSETA	1 510	1 728
CALL ACCOUNT - FNB - 624 0112 4805 - NEW LANDFILL SITE	1 620	2 138
CALL ACCOUNT - FNB - 624 0112 5142 - PPE	1 008	5 235
CALL ACCOUNT - FNB - 624 2143 5951 - DISTRICT GRANT	-	9 983
CALL ACCOUNT - FNB - 624 2092 5549 - SMART METER PROJECT	-	3 875
CALL ACCOUNT - FNB- 624 3538 9342 - PRODIBA	-	11 362
	127 808	136 033

36.9 Deviation from and ratification of minor breaches of procurement processes

Deviation from procurement processes had taken place and these minor breaches were ratified during the year.

5 120 414	5 455 254
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No further deviation from and ratification of minor breaches of procurement processes had taken place during the year.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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37. CAPITAL COMMITMENTS

37.1 Commitments in respect of capital expenditure

- Approved and contracted for	24 524 074	9 512 507
Property, plant and equipment	24 524 074	9 512 507
- Approved but not yet contracted for	44 748 450	92 605 750
Property, plant and equipment	44 748 450	92 605 750
Total	69 272 524	102 118 257

This expenditure will be financed from:

- External loans	10 000 000	27 000 000
- Government grants	50 311 813	66 167 302
- Own resources	8 960 711	8 950 955
Total	69 272 524	102 118 257

37.2 Commitments in respect of operating expenditure

- Approved and contracted for	14 791 627	4 447 652
Operational expenditure	14 791 627	4 447 652
- Approved but not yet contracted for	-	1 583 873
Operational expenditure	-	1 583 873
Total	14 791 627	6 031 525

This expenditure will be financed from:

- Government grants	2 503 245	1 471
- Own resources	12 288 382	6 030 054
Total	14 791 627	6 031 525

37.2.1 Commitments for periods longer than 12 months

Provision of security services

The municipality is committed to the security services contract for a period of 3 years.

Provision of short-term insurance

The municipality is committed to the short-term insurance contract for a period of 3 years.

Provision of valuation roll

The municipality is committed to the valuation roll contract for a period of 5 years (1 year for compilation and 4 years for supplementary valuation rolls).

Provision of road patching material

The municipality is committed to two contracts for the supply of road patching material for a period of 3 years.

Provision of chemicals

The municipality is committed to the supply of chemicals to purify waste / water contract for a period of 3 years.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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Provision of newsletter

The municipality is committed to the supply of quarterly newsletter contract for a period of 3 years.

Provision of sewerage plant operations and maintenance

The municipality is committed to the sewerage plant operations and maintenance contract for a period of 3 years.

Provision of refuse bags

The municipality is committed to the provision of refuse bags contract for a period of 3 years.

38. EVENTS AFTER THE REPORTING DATE

No material litigation is outstanding against the Municipality and no other post balance events have occurred after year-end and up to the date of the completion of these financial statements.

39. RETIREMENT BENEFIT INFORMATION

39.1 Defined contribution plan

An amount of R11,460,745 (R9,713,255 - 2013) was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.

NALEDI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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R

40. CONTINGENT LIABILITIES

Various legal matters

40.1 NALEDI LOCAL MUNICIPALITY / NOTICE OF ARBITRATION HEARING – MESHACK TLOTLO AND OTHER – FORMER SECURITY GUARDS [4/6/5]

This an arbitration brought by former security guards at the municipality. The Naledi Local Municipality is at risk. The estimated legal costs are an amount of ±R6,000.00. The possible exposure could not be determined. As the opponents have not as yet issued summons, the amount, timing and outflow is uncertain, but not remote.

40.2 NALEDI LOCAL MUNICIPALITY / MAXIMUM PROFIT RECOVERY [PTY] LTD

This is a claim brought by Maximum Profit Recovery (Pty) Ltd for VAT recovery services rendered for which there are outstanding claims that the municipality had allegedly not yet paid for. The Naledi Local Municipality is at risk. The opponents never issued summons in this regard. Since receiving instructions herein our opponents did nothing and specifically did not issue summons. The estimated legal costs are an amount of ±R10,000.00. The possible exposure could not be determined. As the opponents have not as yet issued summons, the amount, timing and outflow is uncertain, but not remote.

40.3 CONTINGENCIES ARISING FROM PENDING LITIGATION ON WAGE CURVE AGREEMENT

On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees' jobs per the TASK job evaluation system.

Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised.

The employees' job evaluations have not been done and the municipality did not pay employees the 8.48% 1 July 2010 increase from 22 June 2012 (when the Labour Court handed down its ruling) and is awaiting the outcome of the Labour Court of Appeal case.

As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable / payable for employee wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this receivable / payable prior to the outcome of the pending litigation.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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R

41. CONTINGENT ASSETS

Various legal matters

41.1 NALEDI LOCAL MUNICIPALITY / QUICK SPARX

We confirm that we have consulted with Advocate Nico Jagga in the abovementioned matter. We furthermore confirm that we have consulted with SizweNtsalubaGobodo Incorporated Forensic Auditors. In respect of Quick Sparx it was agreed between ourselves and the Forensic Auditors to obtain an asset forfeiture order in the High Court against Quick Sparx. As soon as the order has been obtained and Quick Sparx assets has been seized and frozen, we will asses the value of the assets seized and frozen, before we proceed to issue summons against Quick Sparx. It is our thinking that issuing summons before a forfeiture order is obtained will simply alert the sole member of Quick Sparx and her husband, which may result in them hiding their assets. We were also instructed to recover the amount of R342,000.00 in respect of two transformers that were installed at the Vryburg Abattoir. We have engaged Vryburg Abattoir and they were of the opinion that the replacement of the transformers is the financial responsibility of Naledi Local Municipality. The estimated legal costs are an amount of ±R150,000.00. We expect that this matter will be handled by 30 June 2014 and we believe that our claim is not remote.

42. RELATED PARTIES

42.1 Members of key management

MT Segapo	-	-
DM Thornhill	-	-
C Malefo	-	-
T Appolus	-	-
L Moinwe	-	-
	-	-

No related party transactions occurred between the municipality and it's key management.

Compensation to councillors and other key management (refer to note **21** and **22**).

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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43. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

43.1 Impairment of receivables

Management has an accounting policy in place to provide for the impairment of bad debts. The policy requires individual assessment of long outstanding debtors.

The carrying value of the impairment for bad debt is:

The impairment provided for in the Statement of financial performance is:

The following amount of bad debts were written off and was approved by management and condoned by council (and is included in the amount as per Statement of financial performance)

196 302 232	174 430 569
34 873 869	49 704 596
13 002 156	31 478 753

43.2 The useful lives and residual values of property, plant, and equipment

In accordance with GRAP 17.61 the municipality implemented an accounting policy to ensure that the useful life of other assets are reviewed at least at each reporting date. The residual value of motor vehicles and machinery and equipment are reviewed at each reporting date. The residual value of land and buildings, infrastructure, community assets, heritage assets and other assets have been assessed at zero as the economic life of the assets are more than the useful life.

The carrying value of assets at year end, subject to the annual review is:

974 921 672	980 860 018
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43.3 Provision for rehabilitation of landfill site

The provision has been estimated at the current estimated costs to rehabilitate the landfill sites. An average inflation rate of 6.6% as per STATSSA and a discount rate of 9.56% as per the R186 Government Bond rate was used to calculate the obligation at year-end.

The closing balance of the provision is:

Current Provision

Non-current Provision

6 934 157	8 290 108
5 137 329	-

43.4 Provision for long service award

The actuarial assumptions used to determine the liability in terms of GRAP 25 are based on the best estimate of the actuary in consultation with the Employer and their auditors. The assumptions are used to place a value on the liabilities. They will not impact on the actual cost of the benefits which can only be determined once the last benefit has been paid, but they will impact on how the costs are recognised over time. Should the assumption prove to be too conservative or too liberal then actuarial gains or losses will emerge.

Discount rate assumption

The discount rate required by GRAP 25 should be set with reference to a high quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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Recent revisions to accounting standards require that a greater emphasis is placed on the duration of the liabilities when determining the discount rate. With this in mind, we have set the discount rate by using the "best fit" discount rate at 30 June 2014 which we have based on the yields from the zero coupon government bond curve. The best fit has been determined taking into account the cash-flow weighted duration of the liabilities, which is approximately 8 years. The recommended discount rate is 8.46%

Future inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase. The general inflation assumption is used to estimate the base rate for determining the rate at which the future health care subsidies will increase.

We have estimated the market's pricing of inflation by comparing the yields on index linked government bonds and long term government bonds with an 8 year duration, adjusting for inflation risk premium of 0.5% per annum. The implied inflation assumption is therefore 6.24% per annum for future inflation. Future salaries can be expected to increase in line with salary inflation.

We assumed that salary inflation will exceed general inflation by 1.0% per annum, i.e. 7.24% p.a. In addition we have assumed that salaries will increase according to the following scale:

Age	Merit increase
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45+	0%

Assets

The Company does not have any specific assets set aside to prefund for this liability. We have therefore not included any asset value in this report.

Net discount rate

Even though the actual values used for the discount rate and the expected increase in salaries are important, the "gap" between the two assumptions are more important. This "gap" is referred to as the net discount rate. The net discount rate is 1.14% per annum. (Derived from a discount rate of 8.46% and the expected salary inflation rate of 7.24%)

Demographic valuation assumptions

We have assumed that the pre-retirement mortality will be in line with SA85-90 table rated down by 3 years for female employees. This is a table reflecting mortality experience in South Africa. This assumption is in line with the previous assumptions used.

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Demographic valuation assumptions

We have provided for rates of withdrawal in the valuation as follows:

Age	Withdrawal Rate
20	16%
25	12%
30	10%
35	8%
40	6%
45	4%
50	2%
55	0%

Assumed retirement age

The normal retirement age is 65. We have retained the assumed retirement age of 63 for all employees which implicitly allows for some early retirement and is consistent with assumptions used for valuing other Company liabilities. It should however be noted that by assuming a normal retirement age of 63 there is an implicit assumption that service stops accruing at age 63.

The closing balance of the provision is:

Current Provision

Non-current Provision

831 467

722 924

7 111 067

6 558 993

43.5 Provision for continued medical aid

The actuarial assumptions used to determine the liability in terms of GRAP 25 are based on the best estimate of the actuary in consultation with the Employer and their auditors. The assumptions are used to place a value on the liabilities. They will not impact on the actual cost of the benefits which can only be determined once the last benefit has been paid, but they will impact on how the costs are recognised over time. Should the assumption prove to be too conservative or too liberal then actuarial gains or losses will emerge.

Discount rate assumption

The discount rate required by IAS19 should be set with reference to a high quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. Recent revisions to IAS 19 place a greater emphasis on matching the discount rate to the duration of the liabilities. We have therefore set the discount rate by taking the average yields from the zero coupon government bond curve over a 15 to 20 year term. The recommended discount rate as at 30 June 2014 is 9.56%.

Future inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future health care subsidies will increase.

We have estimated the market's pricing of inflation by comparing the yields on index linked government bonds and long term government bonds (R186 and R197 bonds), adjusting for an inflation risk premium of 0.5% per annum. The R186 government bond is a fixed interest government bond with a maturity date between 2025 and 2027. The implied inflation assumption is therefore 6.32% per annum for future inflation.

Future subsidies can be expected to increase in line with medical inflation. We assumed that medical inflation will exceed general inflation by 1.5% per annum. A gap of between 1.5% and 2.0% is generally considered to be acceptable.

NALEDI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

Assets

The Company does not have any specific assets set aside to prefund for this liability. We have therefore not included any asset value in this report.

Net discount rate

Even though the actual values used for the discount rate and the expected increase in medical subsidies are important, the "gap" between the two assumptions are more important. This "gap" is referred to as the net discount rate. The net discount rate is 1.61% p.a. (Derived from a discount rate of 9.56% and the expected medical inflation rate of 7.82%).

Demographic valuation assumptions

We have assumed that the pre-retirement mortality will be in line with SA85-90 (light) table, rated down by 3 years for female members. We have based the post-retirement mortality assumptions on the PA (90) mortality tables rated down by 1 year.

Demographic valuation assumptions

We have provided for rates of withdrawal in the valuation as follows:

Age	Withdrawal Rate
20	16%
30	10%
40	6%
50	2%
55+	nil

Assumed retirement age

The company has a normal retirement age of 65. We have assumed that all in-service members will retire at age 63, which makes an allowance for expected rates of early and ill-health retirement.

Continuation of membership and family profile

There is a probability that not all employees will elect to remain on the current medical scheme post retirement. We have however assumed that all current employees who are on a company sponsored medical scheme will remain on the same medical scheme and option post retirement. There are also a number of employees who currently do not belong to a company sponsored medical aid. A contingent liability exists for these members. It is not easy for employees to voluntarily join or switch medical schemes when nearing retirement, as there could be waiting periods and exclusions on pre-existing conditions. Also members who are not members of other schemes may be subject to additional penalty charges. We have deemed it prudent to incorporate an assumption that 20% of these members will elect to join a company sponsored medical scheme before retirement. Currently the distribution of employees on a company sponsored medical scheme is fairly diversified between the various schemes and options. For purpose of placing a value on the contingent liability we have assumed that the average subsidy will apply. In respect of active Employees, we have assumed that 80% of members will be married at retirement and that the female spouse will be 3 years younger than the male spouse. We have further assumed that Employees will not have any dependent children once they retire. We have used the actual medical aid dependent status to value the retired employees.

The closing balance of the provision is:

Current Provision

Non-current Provision

1 030 150

36 358 121

1 000 695

32 850 110

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

44. RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising Currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

44.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Current Account (Primary Bank Account) - FNB Acc nr: 54160030382	537 626	4 829 774
Current Account (Other Account) - ABSA Acc nr: 4070282707	771 873	1 110 128
Other short-term investments	136 033	127 808
Trade and other receivables	36 030 184	29 038 680

These balances represent the maximum exposure to credit risk.

44.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Liquidity risk is mitigated by the fact that consumer debtors have been adequately provided for as impaired.

44.3 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

44.4 Other price risk

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Municipal Council.

Other Receivables are individually evaluated annually at year-end date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

45. GOING CONCERN ASSUMPTION

Management believes that the Going Concern assumption is appropriate, however based on the financial liabilities and background we understand that a material uncertainty might exist at year-end.

Management is however confident that the financial situation of the municipality will be turned-around in the next financial year due to the following processes and activities implemented to address the Going Concern Risk:

- *A financial turnaround strategy was implemented and approved by Council*
- *Implementation and adoption of policy and procedure manuals affecting the financial statements of the municipality as well as the internal controls of the municipality*
- *Agreements were reached with the major current and long-term creditors to pay off long outstanding debt on a monthly basis*
- *Advertisements has been placed for a bid to invite suppliers to implement electronic water and electricity meters, which will assist in resolving the speedier collection of consumer debtors*
- *As part of the financial turnaround and the new adopted credit control policy the municipality is in the process of handing over all debtors older than 90 days and this is assisted by the establishment of an internal debt collection unit.*

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
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46. COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in **Annexures E(1)** and **E(2)**.

47. RESERVES

47.1 Revaluation reserve

Balance at beginning of year	1 847 484	1 225 448
Contributions to reserve	1 310 766	827 830
Reversal of reserve	-	-
Realisation of reserve	-360 965	-205 794
Balance at end of year	2 797 286	1 847 484

48. FINANCE LEASE LIABILITY

48.1 Office equipment

Minimum lease payments

Within 1 year	435 276	354 960
Within 1 - 5 years	290 184	562 020
	725 460	916 980
Minus: Future finance costs	-31 902	-96 291

Present value of minimum lease payments

Present value of minimum lease payments

Within 1 year	391 336	296 579
Within 1 - 5 years	302 221	524 110
	693 558	820 689

The liability is secured by the leased assets.

Carrying value of leased photocopiers	855 296	858 952
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It is municipalities policy to lease certain equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 8.5% during the reporting period. Payments are made in arrears.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent lease payments. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. There were no defaults or breaches and no terms and conditions were re-negotiated during the reporting period. The municipality does not have the intention to buy the assets after the lease period. The lease agreements do not impose restrictions upon the municipality.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Annual remuneration	Performance and other bonusses	Car allowance	Contributions to UIF, medical and pension funds	Total
	R	R	R	R	R

49. REMUNERATION TO INDIVIDUAL EXECUTIVE MANAGERS

30 June 2014

Technical services director	389 936		25 875	31 496	447 308
Corporate services director	646 371	4 792	129 375	107 290	887 828
Community services director	716 918	51 192	145 500	124 102	1 037 712
Support services	-	-	-	-	-
Total	1 753 226	55 983	300 750	262 888	2 372 848

30 June 2013

Technical services director	77 205	-	-	-	77 205
Corporate services director	586 398	73 956	72 000	159 689	892 043
Support services director	397 318	-	84 875	85 682	567 874
Community services director	365 977	68 000	120 000	135 127	689 104
Total	1 426 897	141 956	276 875	380 498	2 226 226

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Annual remuneration	Travel allowance	Housing allowance	Telephone allowance	Public office-bearers allowance	Contributions to UIF, medical and pension funds	Total
	R	R	R	R	R	R	R

50. REMUNERATION TO COUNCILLORS

30 June 2014

Mayor	314 305	78 576	237 799	41 820	-	53 582	726 082
Speaker	329 150	48 560	111 443	20 868	-	54 233	564 254
Chairperson: Finance and Economic Development	302 863	46 190	152 003	20 868	-	8 606	530 530
Chairperson: Human Resources, Skills Development and Training	296 402	34 884	117 122	20 868	-	60 926	530 202
Chairperson: Infrastructure, Basic Services and Social Development	299 274	39 909	120 795	20 868	-	49 482	530 328
Chairperson: Municipal Public Accounts Committee	133 739	33 435	73 728	20 868	-	22 560	284 331
Other Councillors	1 308 289	301 400	642 529	248 648	-	189 478	2 690 344
Total	2 984 022	582 955	1 455 418	394 808	-	438 866	5 856 071

30 June 2013

Mayor	326 530	94 947	167 105	39 828	-	63 024	691 432
Speaker	210 622	43 569	-	12 396	-	39 256	305 843
Chairperson: Finance and Economic Development	139 462	39 846	66 464	12 396	-	22 417	280 585
Chairperson: Human Resources, Skills Development and Training	116 351	38 950	69 202	12 396	-	43 469	280 367
Chairperson: Infrastructure, Basic Services and Social Development	135 477	39 348	67 261	12 396	-	26 059	280 541
Chairperson: Municipal Public Accounts Committee	126 753	36 814	62 880	12 396	-	24 357	263 200
Other Councillors	1 187 758	345 328	515 388	148 752	-	382 319	2 579 546
Total	2 242 952	638 803	948 299	250 560	-	600 900	4 681 514

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Land R	Buildings R	Infrastructure R	Community R	Game / animals R	Other Assets R	Total R
51. PROPERTY, PLANT AND EQUIPMENT - RECONCILIATION OF CARRYING VALUE							
Carrying values at 1 July 2013	130 008 703	35 517 347	738 382 294	43 336 156	5 246 600	28 369 482.24	980 860 582
Cost	133 791 325	48 830 627	877 473 549	58 323 224	5 246 600	40 340 533.46	1 164 005 859
Correction of error (Note 33)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated depreciation	-3 782 622	-13 313 280	-139 091 256	-14 987 068	-	-11 971 051.22	-183 145 277
- Cost	3 782 622	13 313 280	139 091 256	14 987 068	-	11 971 051.22	183 145 277
- Revaluation	-	-	-	-	-	-	-
Acquisitions	878 951	133 759	40 440	1 001 575	-	4 770 887.46	6 825 612
Capital under construction	2 498 600	-	29 911 143	-	-	-	32 409 743
Increases / decreases in revaluation	-	-	-	-	1 310 766	-	1 310 766
Depreciation	1 568 479	3 348 235	34 241 640	3 890 296	518 666	4 891 848.11	48 459 164
- based on cost	1 568 479	3 348 235	34 241 640	3 890 296	518 666	4 891 848.11	48 459 164
- based on revaluation	-	-	-	-	-	-	-
Carrying value on disposals	-440 632	-	-	-	-401 300	-2 603 532.06	-3 445 464
Cost / revaluation	-440 632	-	-	-	-401 300	-5 825 935.02	-6 667 867
Accumulated depreciation	-	-	-	-	-	3 222 402.96	3 222 403
Impaired losses	-	-	-	-	-	-	-
Other movements	5 599 497	-	-	-	-179 900	-	5 419 597
Carrying values at 30 June 2014	136 976 640	32 302 871	734 092 237	40 447 435	5 457 500	25 644 989.53	974 921 672
Cost	141 448 790	48 964 386	907 425 133	59 324 799	5 976 166	39 285 485.90	1 202 424 760
Revaluation	878 951	-	-	-	-	-	878 951
Accumulated depreciation	-5 351 101	-16 661 515	-173 332 895	-18 877 364	-518 666	-13 640 496.37	-228 382 038
- Cost	5 351 101	16 661 515	173 332 895	18 877 364	518 666	13 640 496.37	228 382 038
- Revaluation	-	-	-	-	-	-	-

Refer to **Appendix E** for more detail on property, plant and equipmen

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Land R	Buildings R	Infrastructure R	Community R	Game / animals R	Other Assets R	Total R
RECONCILIATION OF CARRYING VALUE							
Carrying values at 1 July 2012	129 415 209	38 574 330	757 812 458	46 895 071	3 841 700	25 174 020	1 001 712 789
Cost	132 252 175	48 547 382	862 347 912	58 030 636	3 841 700	33 736 448	1 138 756 252
Correction of error (Note 33)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated depreciation	-2 836 966	-9 973 052	-104 535 454	-11 135 565	-	-8 562 427	-137 043 464
- Cost	2 836 966	9 973 052	104 535 454	11 135 565	-	8 562 427	137 043 464
- Revaluation	-	-	-	-	-	-	-
Acquisitions	-	283 245	3 642 967	311 417	60 500	7 566 638	11 864 766
Capital under construction	1 919 530	-	13 349 230	-	-	-	15 268 760
Increases / decreases in revaluation	-	-	-	-	827 830	-	827 830
Depreciation	945 656	3 340 228	34 839 914	3 856 362	494 430	3 802 114	47 278 704
- based on cost	945 656	3 340 228	34 839 914	3 856 362	494 430	3 802 114	47 278 704
- based on revaluation	-	-	-	-	-	-	-
Carrying value on disposals	-380 380	-	-1 582 448	-13 969	-24 800	-569 626	-2 571 223
Cost / revaluation	-380 380	-	-1 866 560	-18 828	-24 800	-962 552	-3 253 119
Accumulated depreciation	-	-	284 112	4 859	-	392 926	681 897
Impaired losses	-	-	-	-	-	-	-
Other movements	-	-	-	-	1 035 800	-	1 035 800
Carrying values at 30 June 2013	130 008 703	35 517 347	738 382 294	43 336 156	5 246 600	28 368 918	980 860 018
Cost	133 791 325	48 830 627	877 473 549	58 323 224	5 741 030	40 340 533	1 164 500 289
Revaluation	-	-	-	-	-	-	-
Accumulated depreciation	-3 782 622	-13 313 280	-139 091 256	-14 987 068	-494 430	-11 971 615	-183 640 271
- Cost	3 782 622	13 313 280	139 091 256	14 987 068	494 430	11 971 615	183 640 271
- Revaluation	-	-	-	-	-	-	-

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

52. BORROWINGS - IN DEFAULT

The repayment dates of some of the DBSA loans have expired, and the loans have not been repaid in full. Included in the amount owing as set out below is a breakdown of all capital, interest and penalties in arrears. The amount has also been disclosed as Fruitless and Wasteful Expenditure in **note 35.1**. The repayment terms are still being negotiated with the DBSA.

Loan no	Loan in default	Redeemable date	Carrying value of loans in arrears 30 June 2013 R	Interest in arrears			Capital in arrears			Carrying value of loans in arrears 30 June 2014 R	Total outstanding 30 June 2014 R
				Balance at 30 June 2013 R	Movement R	Balance at 30 June 2014 R	Balance at 30 June 2013 R	Movement R	Balance at 30 June 2014 R		
12885/101	Loan in default	2005/12/31	400	194	11	206	206	-	206	411	411
13083/101	Loan in default	2011/12/31	2 210 518	1 105 259	-	1 105 259	1 105 259	-	1 105 259	2 210 518	2 210 518
13084/101	Loan in default	2008/12/31	1 403 708	701 854	-	701 854	701 854	-	701 854	1 403 708	1 403 708
13086/101	Loan in default	2008/12/31	4 790	2 328	134	2 462	2 462	-	2 462	4 924	4 924
13087/101	Loan in default	2009/12/31	1 328 319	664 159	-	664 159	664 159	-	664 159	1 328 319	1 328 319
13392/101	Loan in default	2019/12/31	1 156 583	888 590	124 045	1 012 635	267 993	118 794	386 786	1 399 421	2 025 269
13393/101	Loan in default	2019/12/31	1 221 064	938 130	130 960	1 069 090	282 934	125 416	408 350	1 477 440	2 138 180
13604/101	Loan in default	2020/12/31	8 161 106	6 350 433	828 626	7 179 058	1 810 674	729 736	2 540 410	9 719 468	14 358 116
13604/103	Loan in default	2025/06/30	3 846 684	3 407 139	548 014	3 955 154	439 545	250 800	690 345	4 645 499	7 910 307
TOTAL			19 333 172	14 058 087	1 631 790	15 689 876	5 275 085	1 224 746	6 499 831	22 189 708	31 379 753

NALEDI LOCAL MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014

	Loan number	Interest rate	Balance at 30 June 2013 R	Received during the period R	Interest Capitalised R	Redeemed / written off during the period R	Balance at 30 June 2014 R
GOVERNMENT LOANS							
Development Bank of South Africa	12885/101	9.5%	400	-	11	-	411
Development Bank of South Africa	13083/101	15.5%	2 210 518	-	-	-	2 210 518
Development Bank of South Africa	13084/101	15.5%	1 403 708	-	-	-	1 403 708
Development Bank of South Africa	13086/101	15.5%	4 790	-	134	-	4 924
Development Bank of South Africa	13087/101	15.5%	1 328 319	-	-	-	1 328 319
Development Bank of South Africa	13392/101	17.0%	1 963 999	-	61 270	-	2 025 269
Development Bank of South Africa	13393/101	17.0%	2 073 494	-	64 686	-	2 138 180
Development Bank of South Africa	13604/101	15.7%	13 947 445	-	410 671	-	14 358 116
Development Bank of South Africa	13604/103	15.7%	7 636 000	-	274 307	-	7 910 307
TOTAL EXTERNAL LOANS			30 568 673	-	811 080	-	31 379 753

NALEDI LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2014

	Cost / Revaluation							Accumulated depreciation					Transfers	Carrying value
	Opening balance	Additions	Increase in revaluation	Under construction	Disposals	Other movements	Closing balance	Opening balance	Depreciation	Disposals	Impairment loss / reversal of impairment loss	Closing balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land	133 791 325	878 951	-	2 498 600	-440 632	5 599 497	142 327 741	3 782 622	1 568 479	-	-	5 351 101	-	136 976 640
Buildings	48 830 627	133 759	-	-	-	-	48 964 386	13 313 280	3 348 235	-	-	16 661 515	-	32 302 871
Infrastructure	877 473 549	40 440	-	29 911 143	-	-	907 425 133	139 091 256	34 241 640	-	-	173 332 895	-	734 092 237
Community	58 323 224	1 001 575	-	-	-	-	59 324 799	14 987 068	3 890 296	-	-	18 877 364	-	40 447 435
Game / animals	5 246 600	-	1 310 766	-	-401 300	-179 900	5 976 166	-	518 666	-	-	518 666	-	5 457 500
Other Assets	40 340 533	4 770 887	-	-	-5 825 935	-	39 285 486	11 971 051	4 891 848	3 222 403	-	13 640 496	-	25 644 990
TOTAL	1 164 005 859	6 825 612	1 310 766	32 409 743	-6 667 867	5 419 597	1 203 303 711	183 145 277	48 459 164	3 222 403	-	228 382 038	-	974 921 672

NALEDI LOCAL MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2014

	Cost / Revaluation							Accumulated depreciation					Carrying value
	Opening balance	Additions	Increase in revaluation	Under construction	Disposals	Other Movements	Closing balance	Opening balance	Additions	Disposals	Impairment loss / reversal of impairment loss	Closing balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Office of the Mayor	47 487	14 449	-	-	-	-	61 936	9 883	-	-	-	9 883	52 053
Office of the Speaker	185 474	100 591	-	-	-	-	286 065	-	-	-	-	-	286 065
Office of the Municipal Manager	734 095	56 161	-	-	-	-	790 256	110 242	-	-	-	110 242	680 014
Financial Services	2 094 997	313 122	-	-	-	-	2 408 119	225 792	-	-	-	225 792	2 182 327
Administration	2 068 026	670 326	-	-	-	-	2 738 352	-	-	-	-	-	2 738 352
Human Resource	1 111 430	61 104	-	-	-	-	1 172 534	315 222	-	-	-	315 222	857 312
Community Services	3 709 730	144 160	-	-	-	-	3 853 890	949 389	-	-	-	949 389	2 904 501
Recreational Facilities	191 095	978 543	-	-	-	-	1 169 638	-	-	-	-	-	1 169 638
Community Facilities	30 945	131 661	-	-	-	-	162 606	-	-	-	-	-	162 606
Libraries	10 401	12 705	-	-	-	-	23 106	-	-	-	-	-	23 106
Cemeteries	69 320	4 208	-	-	-	-	73 528	4 974	-	-	-	4 974	68 554
Traffic	176 734	16 349	-	-	-	-	193 083	-	-	-	-	-	193 083
Nature Reserve	5 769 103	-	1 310 766	-	401 300	-179 900	6 498 669	-	-	-	-	-	6 498 669
Housing Administration	2 239	3 237	-	-	-	-	5 476	-	-	-	-	-	5 476
Fire and Disaster Services	105 546	8 522	-	-	-	-	114 068	-	-	-	-	-	114 068
Technical Services	1 143 251 302	3 287 769	-	32 409 743	6 266 567	5 599 497	1 178 281 744	181 413 353	48 459 164	3 222 403	-	226 650 114	951 631 630
Electricity	725 372	23 115	-	-	-	-	748 487	25 121	-	-	-	25 121	723 366
Water	364 859	9 818	-	-	-	-	374 677	4 186	-	-	-	4 186	370 491
Refuse Removal	2 727 116	16 522	-	-	-	-	2 743 638	-	-	-	-	-	2 743 638
Sewerage and Sanitation	42 563	775 028	-	-	-	-	817 591	-	-	-	-	-	817 591
Roads and Street Lighting	46 864	133 000	-	-	-	-	179 864	-	-	-	-	-	179 864
Town Planning	27 155	-	-	-	-	-	27 155	-	-	-	-	-	27 155
Project Management Unit	11 885	18 772	-	-	-	-	30 657	-	-	-	-	-	30 657
Mechanical Workshop	502 121	46 450	-	-	-	-	548 571	87 115	-	-	-	87 115	461 456
EDTA	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	1 164 005 859	6 825 612	1 310 766	32 409 743	6 667 867	5 419 597	1 203 303 711	183 145 277	48 459 164	3 222 403	-	228 382 038	974 921 672

NALEDI LOCAL MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	2014			2013		
	Actual income	Actual Expenditure	Surplus / (Deficit)	Actual income	Actual Expenditure	Surplus / (Deficit)
	R	R	R	R	R	R
Office of the Mayor	-	2 437 326	-2 437 326	14 015 229	1 580 051	12 435 178
Office of the Speaker	-	7 534 324	-7 534 324	387 718	6 178 263	-5 790 546
Office of the Municipal Manager	-	13 060 592	-13 060 592	-	12 928 622	-12 928 622
Financial Services	90 028 711	45 994 810	44 033 902	68 331 689	84 219 645	-15 887 956
Administration	271 461	14 859 204	-14 587 743	118 490	15 180 632	-15 062 143
Human Resource	631 934	6 289 240	-5 657 306	811 662	4 867 314	-4 055 652
Community Services	-	5 543 577	-5 543 577	-	7 637 918	-7 637 918
Recreational Facilities	1 143 187	4 993 141	-3 849 954	436 544	4 110 783	-3 674 239
Community Facilities	1 925 652	2 700 078	-774 426	1 043 004	3 485 593	-2 442 589
Libraries	249 794	2 280 197	-2 030 402	330 989	1 131 790	-800 801
Cemeteries	270 215	2 293 422	-2 023 207	245 320	4 297 624	-4 052 304
Traffic	7 025 348	15 789 559	-8 764 211	6 290 330	10 406 654	-4 116 324
Nature Reserve	37 107	1 848 846	-1 811 740	1 108 476	2 048 248	-939 772
Housing Administration	10 072	11 774	-1 702	2 004	585 884	-583 880
Fire and Disaster Services	5 900 000	9 289 496	-3 389 496	6 371 307	7 359 112	-987 804
Technical Services	13 448	53 761 748	-53 748 300	292	54 338 721	-54 338 429
Electricity	96 591 384	72 397 956	24 193 428	86 544 493	66 158 252	20 386 241
Water	22 611 841	43 996 254	-21 384 413	21 850 453	17 974 083	3 876 370
Refuse Removal	15 458 372	17 993 912	-2 535 540	13 987 435	10 886 542	3 100 894
Sewerage and Sanitation	14 765 729	10 343 550	4 422 179	15 092 317	6 458 161	8 634 156
Roads and Street Lighting	2 231 287	17 623 690	-15 392 404	8 505 624	21 603 925	-13 098 301
Town Planning	401 459	955 353	-553 894	838 831	399 076	439 754
Project Management Unit	11 531 761	5 092	11 526 669	14 271 360	16 809	14 254 551
Mechanical Workshop	-	1 178 038	-1 178 038	-	1 721 503	-1 721 503
EDTA	-	1 003 072	-1 003 072	-	-	-
Total	271 098 762	354 184 249	-83 085 488	260 583 565	345 575 205	-84 991 640

NALEDI LOCAL MUNICIPALITY
APPENDIX E(1)
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2014

		2014			Explanation of significant variances greater than 10% versus budget
	Actual R	Budget R	Variance		
			R	%	
REVENUE					
Property Rates	29 586 970	32 277 843	-2 690 873	-8%	-
Property rates - penalties imposed and collection charges	-	-	-	0%	-
Service Charges	133 694 086	146 753 694	-13 059 608	-9%	-
Rental of facilities and equipment	1 213 639	1 054 900	158 739	15%	Improved controls and registers implemented
Interest earned - external investments	574 971	500 000	74 971	15%	Higher than expected interest rate and levels of investment
Interest earned - outstanding receivables	12 927 005	15 000 000	-2 072 995	-14%	Interest rate reduced in terms of policy and payment incentive scheme
Fines	412 387	350 250	62 137	18%	Improved management and controls
Licences and Permits	6 276 445	5 690 000	586 445	10%	-
Government grants and subsidies	81 019 027	106 508 000	-25 488 973	-24%	Mainly due to District Municipality and INEP grants not allocated in financial year
Other income	5 715 149	2 411 900	3 303 249	137%	Mainly due to commission on sales and reversal of unwinding of discounting not anticipated
TOTAL REVENUE	271 419 678	310 546 587	-39 126 909	-13%	
EXPENDITURE					
Employee related costs	118 341 874	117 044 584	1 297 290	1%	-
Remuneration of councillors	5 856 071	6 018 574	-162 503	-3%	-
Impairment of receivables	34 873 869	18 682 307	16 191 562	87%	Higher than anticipated level of consumer debtors
Collection costs	-	-	-	0%	-
Depreciation and amortisation expense	48 458 600	50 600 000	-2 141 400	-4%	-
Grants and subsidies paid	598 880	506 500	92 380	18%	Mainly due to water and sanitation assets purchased for District Municipality not anticipated
Finance costs	15 779 553	18 287 357	-2 507 804	-14%	Write-off of induplum interest on DBSA loans
Bulk purchases	72 981 871	80 200 000	-7 218 129	-9%	-
Repairs and maintenance	10 263 997	12 317 159	-2 053 162	-17%	Lower than expected levels on expenditure on mainly roads section
Contracted services	16 342 661	11 818 631	4 524 029	38%	Mainly due to bulk water, refuse and sewerage plant services not anticipated per budget
General expenses	27 633 746	31 532 778	-3 899 032	-12%	Mainly due to higher than expected electicity costs for bulk water
TOTAL EXPENDITURE	351 131 122	347 007 891	4 123 231	1%	
Gain / (loss) on disposal of PPE	-1 696 264	-	-1 696 264	-100%	Not anticipated as per budget
Gain / (loss) on natural movement of game / animals	-179 900	-	-179 900	-100%	Not anticipated as per budget
Gain / (loss) on disposal of Biological Assets	-	-	-	0%	-
Gain / (loss) on borrowings redeemed	-	-	-	0%	-
Gain / (loss) on actuarial valuation	-1 497 880	-	-1 497 880	-100%	Not anticipated as per budget
Gain / (loss) on fair value adjustment	-	-	-	0%	-
NET SURPLUS / (DEFICIT) FOR THE YEAR	-83 085 488	-36 461 303	-46 624 184	128%	

Note: This schedule is unaudited

NALEDI LOCAL MUNICIPALITY

APPENDIX E(2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2014

	2014							Explanation of significant variances greater than 10% versus budget
	Actual R	Increase in revaluation R	Under construction R	Total additions R	Budget R	Variance		
						R	%	
Office of the Mayor	14 449	-	-	14 449	11 000	-3 449	-31%	Additional equipment requirements not anticipated per budget
Office of the Speaker	100 591	-	-	100 591	32 000	-68 591	-214%	Additional equipment requirements not anticipated per budget
Office of the Municipal Manager	56 161	-	-	56 161	50 000	-6 161	-12%	Additional equipment requirements not anticipated per budget
Financial Services	313 122	-	-	313 122	121 000	-192 122	-159%	Additional equipment requirements not anticipated per budget
Administration	670 326	-	-	670 326	5 010 000	4 339 674	87%	Mainly due to Stella satellite office planned for earlier in year
Human Resource	61 104	-	-	61 104	60 000	-1 104	-2%	-
Community Services	144 160	-	-	144 160	10 000	-134 160	-1342%	Additional equipment requirements not anticipated per budget
Recreational Facilities	978 543	-	-	978 543	55 000	-923 543	-1679%	Additional equipment requirements not anticipated per budget
Community Facilities	131 661	-	-	131 661	700 000	568 339	81%	Mainly due to Kismet Hall renovations moved to later in year
Libraries	12 705	-	-	12 705	-	-12 705	-100%	Additional equipment requirements not anticipated per budget
Cemeteries	4 208	-	-	4 208	-	-4 208	-100%	Additional equipment requirements not anticipated per budget
Traffic	16 349	-	-	16 349	-	-16 349	-100%	Additional equipment requirements not anticipated per budget
Nature Reserve	-	1 310 766	-	1 310 766	-	-1 310 766	-100%	Mainly due to renovations from District Municipality funds
Housing Administration	3 237	-	-	3 237	5 000	1 763	35%	Lower equipment requirements not anticipated per budget
Fire and Disaster Services	8 522	-	-	8 522	10 000	1 478	15%	Lower equipment requirements not anticipated per budget
Technical Services	3 287 769	-	32 409 743	35 697 512	650 000	-35 047 512	-5392%	Capital projects budgetted under sub-sections but capitalised to main department
Electricity	23 115	-	-	23 115	18 871 000	18 847 885	100%	Capital projects budgetted under sub-sections but capitalised to main department
Water	9 818	-	-	9 818	-	-9 818	-100%	Additional equipment requirements not anticipated per budget
Refuse Removal	16 522	-	-	16 522	1 005 000	988 478	98%	Capital projects budgetted under PMU but capitalised to refuse department
Sewerage and Sanitation	775 028	-	-	775 028	1 000 000	224 972	22%	Lower cost for Honey sucker truck per bid than anticipated
Roads and Street Lighting	133 000	-	-	133 000	18 601 000	18 468 000	99%	Capital projects budgetted under sub-sections but capitalised to main department
Town Planning	-	-	-	-	-	-	0%	-
Project Management Unit	18 772	-	-	18 772	6 919 700	6 900 928	100%	Capital projects budgetted under sub-sections but capitalised to main department
Mechanical Workshop	46 450	-	-	46 450	-	-46 450	-100%	Additional equipment requirements not anticipated per budget
EDTA	-	-	-	-	-	-	0%	-
TOTAL	6 825 612	1 310 766	32 409 743	40 546 122	53 110 700	12 564 578	24%	

Note: This schedule is unaudited

